COMPUGROUP MEDICAL SE

Annual Report 2019

Our Vision

NOBODY SHOULD SUFFER OR DIE BECAUSE AT SOME POINT MEDICAL INFORMATION WAS MISSING

Content

More than 1 million professional users of our products worldwide

Hospitals

Labs

Patients

Payers

Physicians

Pharmacists

Dentists

Rehab & Care

Industry

Institutions

Our unique customer base in eHealth

2019

Revenues
746M

EBITDA
178M

EBITDA pro forma
198M

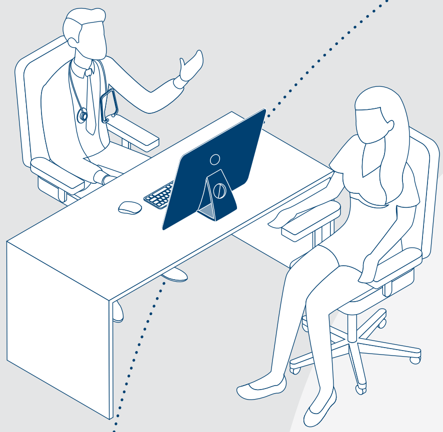
Employees
>5,600

Digital transformation in healthcare

AMBULATORY INFORMATION SYSTEMS

60 %

Data available anytime for a better and quicker overview, resulting in more time for the patients

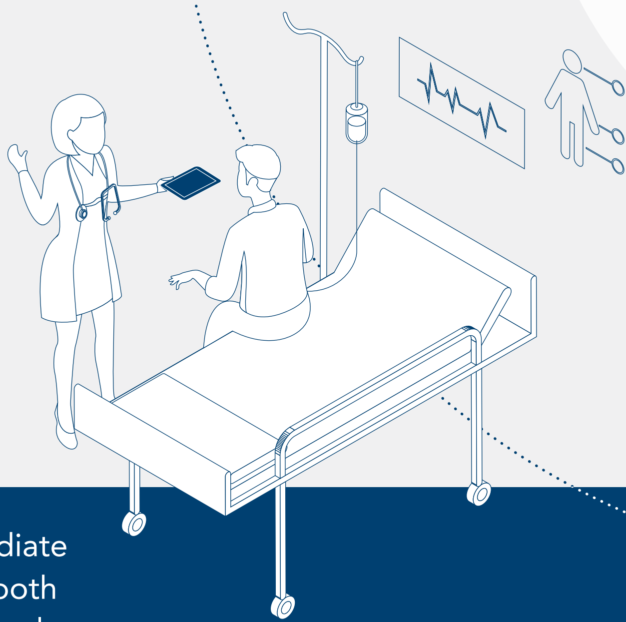


MISSION

HOSPITAL INFORMATION SYSTEMS

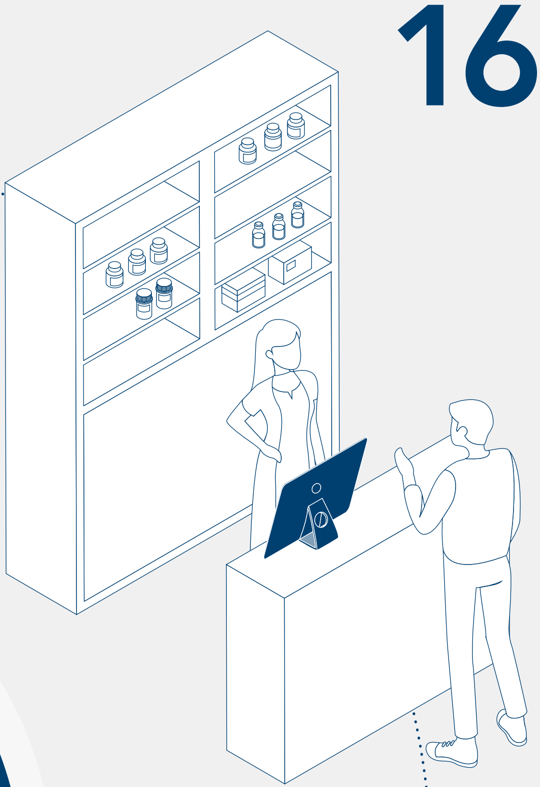
18 %

Intelligent management for quality, efficiency and growth



Paperless data management and immediate access to important information for smooth workflows resulting in more time for people

Enabling the patient journey



16 % PHARMACY INFORMATION SYSTEMS

Enabling responsible consultations, optimal processes and economic success

"More time for what is important: the patient."

6 % CONSUMER & HEALTH MANAGEMENT INFORMATION SYSTEMS

Smart solutions for patient empowerment based on personal health record platform with high data security

CEO Letter

"Nobody should be allowed to suffer or die because vital medical information is not at hand.**"**

Frank Gotthardt, Founder & CEO

Dear Shareholders,

This is our strong vision and this is our responsibility, for which I have personally vouched for 33 years.

We practice this responsibility every single day. Doctors, nurses, many other healthcare professionals and citizens depend on us and our support – which we provide in the form of information technology specifically tailored to healthcare – health IT. Citizens and healthcare professionals have to have a trust they can rely on. They have to trust that data is moving from the right people to the right people – and only the right people. And they have to trust that these data are correct and unaltered. This is one of the pillars of our strategy. Very early on, we created a foundation with security as a fundamental component – security by design.

Another pillar of our strategy is the firm belief that the best healthcare can be best achieved through joint decisions by patients or their relatives and service providers. This is the only way that vital patient participation is possible. Our foundations also have unique range, both geographically and in terms of the sectors in which our clients perform services for their patients.

Nowadays, people like to talk – often quite rightly – about the patient journey. This conveys the notion that in very many cases, patients are not just examined or treated at one place, by one professional or at one institution. Rather, it describes the reality that healthcare is frequently a collaboration between many stakeholders. Thanks to our range and the security of our product portfolio, CGM can comprehensively accentuate the patient journey with a level of digital security that is virtually beyond anyone else's capabilities.

The acquisitions of the past twelve months have been highly important and absolutely the right decisions in further expanding the foundation described:

By acquiring EPSILOG, we have made a very significant debut on the French outpatient care and physiotherapy market relevant. This represents both a horizontal and vertical extension of our range, and thus a further boost for our activities.

The acquisition of H&S Qualità nel Software SpA (H&S) also opens up fantastic new territory. Telemedicine, telemonitoring and ambient assisted living are highly crucial modules in doctor-patient relationships of tomorrow. They empower citizens to live a self-determined and fulfilled life for longer. They allow doctors to work more flexibly and more efficiently. And they enable healthcare, social support and business systems to manage their costs responsibly and with an eye on the future.

With life expectancies happily rising all the time, and all people wishing to enjoy as many years of health as possible, the areas of expertise and solutions of EPSILOG and H&S are groundbreaking components that enhance and add to CGM's existing portfolio.

The purchase agreement signed at the beginning of 2020 in the Hospital Information Systems (HIS) segment for part of Cerner's European portfolio will ultimately be the biggest single acquisition in the history of the Company to date. With approximately 250 hospitals in Germany and 65 in Spain, we will again increase our range. And, once again, this is true both geographically – this is our first foray onto Spain's HIS market – and vertically, as in Germany we will especially be welcoming mid-sized to very large clients in hospitals – including university hospitals. This acquisition comes at the perfect time, coinciding with the launch – following substantial investment – of our innovative hospital information system CGM CLINICAL, based on smart, cutting-edge G3 technology.

Our new technologies are international and without borders. They put the focus on doctors, dentists, pharmacists, nurses and other healthcare professionals – whatever their institution – and on citizens. They do not hang on the details of general conditions and government stipulations, rather they facilitate their implementation and application. And they provide efficient, effective and secure support for the digital transformation of healthcare systems – no matter where.

This also included the expansion of the Telematics Infrastructure in Germany again in 2019. Here we have succeeded in becoming the market leader in equipping medical practices. And we were again successful with the approval of the next stage in our evolution. Just in time for the world's biggest medical technology trade fair, MEDICA, our connector solution, also an eHealth connector, became the first solution on the market to be approved to begin the test phase – further proof of CGM's abilities that stem from a clear focus on health IT.

The eHealth connector will help us to clear a path to medical applications in doctors' and dentists' practices, pharmacies and hospitals in 2020. Electronic medication plans, emergency records and the vital sharing of medical and care information, for example electronic doctor's letters including a reliable digital signature, will therefore be rolled out for the approximately 73 million people with statutory insurance in Germany. Furthermore, we are also expanding the specific, state-mandated electronic patient file in accordance with gematik stipulations. Based on the wealth of expertise we have amassed over many years, we feel that we are at the forefront of this development.

A key component of our secure and universal foundations is CGM LIFE – the "operating system for health". The ongoing development of secure, highly innovative platforms and apps is possible on the international stage on the basis of this component. One example of this is CLICKDOC, our smartest solution for all services needed between healthcare professionals and citizens all over the world. And this includes apps that assist in the proper and safe handling of medications by patients or their relatives in their day-to-day lives. Or apps that help to manage chronic illnesses and much more.

With all these innovations, it is often the simplest information that is most precious to CGM. Even if it's "just" a matter of making an appointment at a doctor's surgery – we believe that the right to privacy and self-determination begins with the smallest piece of information. We firmly believe that this combination of innovation and security on the basis of a stable foundation will make a strong case for successful growth in the future as well – both for service providers and for consumers.

This is also why we replaced the Health Connectivity Services (HCS) segment with the new Consumer and Health Management Information Systems (CHS) segment in our recent restructuring, and reorganized several business units within the segments.

CGM's foundations, as well as everything that is built on them, is the result of hard, intelligent work by our more than 5,600 employees, some of whom have several decades of expertise in health IT. I offer my sincerest thanks for this commitment!

And the results of our commitment, especially after the record year of 2018, are again something worth seeing. We have once again achieved new highs in sales revenue and EBITDA. We are at the upper end of our guidance for revenue at EUR 746 million, with double-digit year-on-year growth in recurring revenue and revenue growth in the HIS and CHS segments of 15 % and 19 % respectively.

This will be the last "Letter to Shareholders" that I write to you as the Chairman of the Management Board of CompuGroup Medical. In 33 years at the head of this fantastic company, I have been privileged to share very many successful moments with very many wonderful people with a high surplus of energy. Over the years, CGM has always been characterized by an unusually strong willingness to change and to growth – no doubt this is a key element of our continuous success.

And now the time has come for another important change. Over the past 14 months we have bolstered the Management Board by adding several positions, we have reorganized our segments, initiated the biggest single acquisition in the history of the Company and proposed its transformation into a partnership limited by shares. All of this is now crowned by the fact that, in Dirk Wössner, we have found an outstanding new CEO and I will continue to guide the Company from the Supervisory Board. It would be hard to imagine a better foundation from which to begin the next great era of CompuGroup Medical with impressive growth potential.

We will continue to take giant steps towards our great goal: "Nobody should be allowed to suffer or die because vital medical information is not at hand." This is where we see our responsibility and our future success as lying.

In our mission of making significant contributions to improving health care around the world, we break down this great goal into small single steps and packages. These packages are product-based and mean far-reaching benefits for our customers. In turn, this forms the basis for our business success. Every employee of CGM, all its customers, suppliers, business partners – and even you, in a special way – are involved in a company that achieves excellent growth, generates a very satisfactory margin and helps our customers to do good things, to heal people and maintain their health!

Frank Gotthardt
CEO
March 25, 2020

Share Information

CompuGroup Medical's shares are listed in the TecDax and, since September 2019, the MDAX under the ticker symbol COP (FRA:COP), and are traded in the electronic trading system XETRA. There were 53.2 million shares outstanding as at December 31, 2019, each representing EUR 1.00 of the share capital. Market capitalization amounted to EUR 3.4 billion as at the end of the year.

Key data per share

		2019	2018
Year-end price	€	63.75	40.44
Year high	€	74.80	60.30
Year low	€	37.64	37.64
Yearly average	€	57.11	46.45
Trading volume	€m	1,348.6	836.1
	Shares m	23.5	18.1
Number of shares	Shares m	53.2	53.2
Market capitalization*	€m	3,392.7	2,152.2
Earnings per share	€	1.35	1.94***
Dividend per share**	€	0.50	0.50
Dividend payout	€m	24.41	24.41
Dividend yield	%	0.78	1.24

* As of December 31, 2019
** Proposal to the Annual General Meeting
*** Adjusted

Share development

The share price began fiscal year 2019 at EUR 40.70. CompuGroup's shares reached their highest level for the year at EUR 74.10 on July 22, 2019 and were priced at EUR 63.75 as at the end of the year, corresponding to growth of 57.6 percent as against the closing price for the previous year. Accordingly, market capitalization rose to EUR 3.4 billion in total as at year-end.

The trading volume in 2019 was higher than in the previous year at 23.5 million. An average of approximately 93,500 shares were traded per day in fiscal year 2019 (previous year: approximately 71,500).

The following chart shows share price development in 2019:
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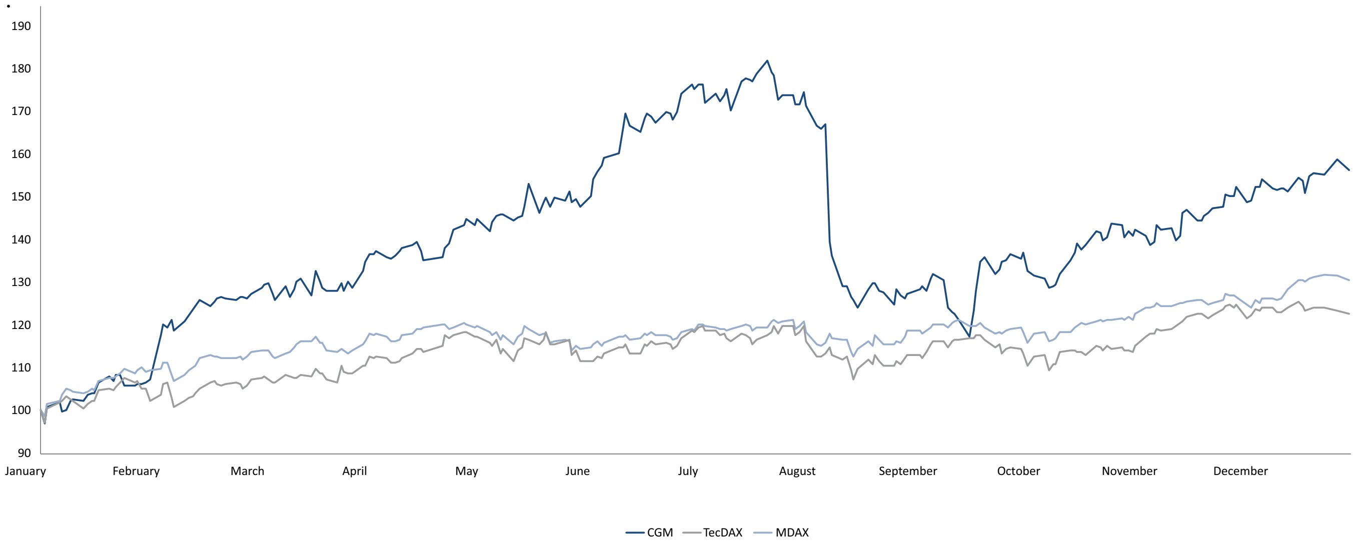

Dividend

Dividend payout volume amounted to EUR 24.4 million in fiscal year 2019, corresponding to a dividend per share of EUR 0.50. For 2019, the Management Board and the Supervisory Board will propose the payment of a dividend of EUR 0.50 per share at the Annual General Meeting on May 13, 2020. Subject to the approval of the Annual General Meeting, the distribution will amount to EUR 24.2 million, equivalent to a dividend yield of 0.78 % based on the closing price for 2019 (EUR 63.75).

Share data

Listing	Börse Frankfurt, Prime Standard
WKN	543730
ISIN	DE0005437305
Xetra Trading Parameters Symbol	COP

Shareholder structure

Bearer shares without par value, Shareholder	Current shareholding in %
Frank Gotthardt (Chairman of the Management Board)	33.65
Prof. Dr. Daniel Gotthardt (Supervisory Board)	6.71
Treasury shares	9.03
Dr. Brigitte Gotthardt	6.35
Dr. Reinhard Koop	3.9
Freefloat (definition Deutsche Boerse)	40.5

* As of 31 December 2019

** Proposal to the Annual General Meeting

2019 share buyback program

In December 2018, CompuGroup Medical SE had announced a share buyback program for up to 500,000 shares with a total volume of up to EUR 20 million, to run until April 30, 2019. The program was carried out from December 17, 2018 to March 19, 2019 inclusively. A total of 377,652 treasury shares with a total volume of EUR 18.2 million were acquired in the time period from January 2 to March 19, 2019.

In September 2019, the Management Board resolved to buy back up to 930,825 shares, equivalent to around 1.75 % of the current share capital, limited to the number of shares with a total volume of EUR 48.4 million (not including incidental costs of acquisition). The buyback began on September 18, 2019 and was ended by way of a further resolution of the Management Board on October 31, 2019. A total of 415,599 treasury shares with a total volume of EUR 22.9 million were acquired in the time period from September 18 to October 30.

In total, 793,251 shares were acquired for a total volume of EUR 41.0 million in buyback programs in 2019. The treasury shares held as at the end of the year accounted for 9.03 % of the share capital.

Investor Relations

The Management Board and the Supervisory Board of CompuGroup Medical SE identify with the objectives of responsible and transparent corporate governance with the aim of a long-term increase in enterprise value.

The objective of Investors Relations activities is to provide investors and capital market participants with comprehensive, relevant and precise information at the same time.

Extensive information such as financial reports, stock market information, relevant news, the financial calendar and corporate presentations can be found in the Investor Relations section of the Company's website. Conference calls for investors and analysts are held to accompany the publication of quarterly and annual figures. In September 2019, the Management Board presented the Company's strategy at its annual Investor and Analyst Conference at its headquarters in Koblenz. This presentation is available in the form of an audio webcast in the Investor Relations section. CompuGroup Medical took part in a number of international capital market conferences and roadshows in Europe and North America.

At year-end, CompuGroup Medical's course of business was being regularly reported on by ten analysts, who had issued three buy recommendations, five hold recommendations and two sell recommendations.

Management Board

Frank Gotthardt
Chief Executive Officer, CEO

Frank Gotthardt, a computer science graduate, was a pioneer in health IT. He is the CEO of CompuGroup Medical SE. He built up the world-leading eHealth company based in Koblenz from nothing, and has led and defined it since its first days. Frank Gotthardt is also the Regional Chairman of the Economic Council in Rhineland-Palatinate and a member of the National Board of the Economic Council.

Frank Brecher
Chief Process Officer, CPO

Frank Brecher has been a member of the Management Board of CompuGroup Medical SE since 2015. He joined CompuGroup Medical in 1998, and held a number of different management positions in the Group, amongst others in the dental division and in the clinical and care sector business. In 2011, he oversaw the acquisition of LAUER-FISCHER GmbH and its subsequent integration into the Group. Frank Brecher was appointed to the Management Board of CGM Deutschland AG at the end of 2011, and since April 2013 has been coordinating the Group-wide roll-out of the new, uniform IT platform, "OneGroup IT". He is primarily responsible for the integration of newly acquired companies into the Group.

Dr. Ralph Körfgen
Board Member Ambulatory & Pharmacy Information Systems

Dr. Ralph Körfgen joined the Management Board of CompuGroup Medical SE in 2018, since when he has held global responsibility for the Ambulatory & Pharmacy Information Systems divisions. Prior to this, he worked at Deutsche Bahn, where he was in charge of corporate development and the CEO of sales; before this, he worked at Roland Berger & Partner and specialized in the development of growth potential in various industries; Ralph Körfgen studied business administration at the University of Münster and has extensive experience in tapping new markets and the growth of digital business models.

Dr. Eckart Pech
Board Member Consumer and Health Management Information Systems

Dr. Eckart Pech has been a member of the Management Board of CompuGroup Medical SE since November 2019, and is in charge of the newly created Consumer and Health Management Information Systems segment. Eckart Pech was previously a member of the Management Board of Allianz Technology SE in charge of the Allianz Group's global IT platforms. Prior to this, he was Chief Information Officer and member of the executive board at Telefónica Deutschland AG, where he was responsible for the operation and development of IT platforms. Eckart Pech began his professional career at the consulting company Diebold, which is owned by the Daimler Group. He studied business administration and Chinese at the University of Bayreuth and Shanghai International Studies University. He completed his doctorate at the University of the German Federal Armed Forces in Munich.

Michael Rauch

Chief Financial Officer, CFO

Michael Rauch has been a member of the Management Board of CompuGroup Medical SE since summer 2019 and is in charge of Finance. Before joining the Company, he was the CFO for Douglas in Düsseldorf. Prior to this, he worked for 16 years in various finance and strategy functions in the Henkel Group, spending several years as the CFO for Adhesives Technologies and Beauty Care. He began his professional career as a consultant at KPMG, before becoming the Finance Director for the DACH region at the DCS Automotive Group. In addition to being a business graduate, he is an MBA, LL.M. and CMA, and has amongst others worked in China, Sweden and the UK for a number of years.

Hannes Reichl

Board Member Clinical & Social Care

Hannes Reichl joined the Management Board of CompuGroup Medical SE in 2018, and has global responsibility for the hospital and laboratory business, of which he was previously the Senior Vice President. He has held various management positions since coming to CGM in 2007, and successfully built up and developed what was then CGM's Central Eastern Europe and Middle East region. In addition to operational management, his work focused on strategic business development and the integration of acquired companies. After completing his studies in infonomics and information management in 1998, Hannes Reichl worked for several Austrian companies that today are all part of CompuGroup Medical.

Report of the Supervisory Board

The Supervisory Board of CompuGroup Medical SE (CGM) performed the duties required of in accordance with law and the Articles of Association in fiscal year 2019. The Supervisory Board has regularly advised and monitored the Management Board regarding its management of the Company. The Supervisory Board was directly involved in all decisions of fundamental importance to the Company.

In both written and verbal reports, the Management Board reported to the Supervisory Board promptly and comprehensively at all times on all significant issues of corporate budgeting and ongoing strategic development, the course of business activities, the general situation of the Group, including any risks, and risk management.

The Supervisory Board received regular reports from the Management Board on the measures taken to increase sales revenue and improve earnings, and on possible, planned and completed company acquisitions. It also discussed the risks and opportunities of planned transactions in detail with the Management Board. Over the year as a whole the consultation of the Supervisory Board focused in particular on substantial M&A projects, as well as the further development of the composition of the Management Board with the appointment of Michael Rauch and Eckart Pech and the leave of Christian Teig and Uwe Eibich.

The Supervisory Board has formed an Audit Committee chaired by the Chairman of the Supervisory Board. The Committee met for four meetings in total in the reporting year, and one further resolution was passed by way of circulation. Among other things, the Audit Committee discussed the interim financial reports of the Management Board and prepared resolutions to be adopted by the Supervisory Board. Based on an invitation to tender, it recommended that the Supervisory Board proposes to the Annual General Meeting to resolve to appoint KPMG AG Wirtschaftsprüfungsgesellschaft, head office: Berlin, or PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, head office: Frankfurt/Main, as the auditor of the annual and consolidated financial statements for fiscal year 2019 and as the auditor to perform the review of interim financial reports for fiscal year 2019 and for the first quarter of 2020. The Audit Committee expressed a unanimous preference for KPMG AG Wirtschaftsprüfungsgesellschaft, head office: Berlin. The Audit Committee discussed the focus of the audit with the auditor at its meeting on November 4, 2019.

There were eighteen meetings of the Supervisory Board meetings in the past fiscal year, and three resolutions were adopted by circulation:

January 31, 2019:
The Supervisory Board agreed by circulation to the acquisition of the Dutch company Qualizorg B.V.

March 18, 2019:
At its meeting in March 2019 to approve the company's annual financial statements, the Management Board, in the presence of the auditor, explained the annual financial statements of CompuGroup Medical SE for 2018, the consolidated financial statements for 2018 and the respective management reports to the Supervisory Board in detail. In the ensuing discussion, the Management Board and employees of PricewaterhouseCoopers GmbH, Frankfurt (PWC), personally answered all the Supervisory Board's questions in detail. The annual financial statements of CompuGroup Medical SE were adopted. The consolidated financial statements were approved. The Management Board's proposal for the appropriation of profits was approved.

Furthermore, other activities, planning and financing for fiscal year 2019 were explained, and the risk report of the Management Board was presented and discussed.

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

March 29, 2019:
The agenda for the 2019 Annual General Meeting, including its draft resolutions, also including the authorization to issue stock options, was approved. The Supervisory Board resolved to appoint Michael Rauch as the CFO of the Company from August 1, 2019.

April 12, 2019:
The Supervisory Board agreed by circulation to the acquisition of Eurosof2000 S.L., Spain.

May 15, 2019:
The Supervisory Board was informed of a potentially significant international acquisition opportunity outside Europe. It was resolved to create a new Management Board department, "CHS Consumer & Health Management Services".

June 5, 2019:
The Management Board reported to the Supervisory Board on the status of a potential acquisition project and the options for its financing. The Supervisory Board approved the continuation of the project and the issue of an indicative offer.

June 17, 2019:
The Supervisory Board agreed by circulation to the acquisition of H&S Qualità nel Software SpA, Italy.

June 25, 2019:
The Supervisory Board discussed the status of an acquisition project with the Management Board and approved an adjustment to the indicative offer price.

June 28, 2019:
The Management Board reported to the Supervisory Board on various aspects of the potential financing of an acquisition project. Possible equity and debt corporate actions were discussed.

June 27/28, 2019:
At its annual strategy meeting with the Management Board and the Company's second management tier, the Supervisory Board discussed options for expanding CompuGroup's business development with the participants.

June 29, 2019:
The Supervisory Board approved the appointment of Dr. Eckart Pech to the Management Board as the Director of the newly created department, CHS Consumer & Health Management Services, from November 1, 2019. On the basis of the authorization of the Annual General Meeting, the Supervisory Board approved the 2019 stock option plan and subsequently allocated 250,000 stock options each to the Management Board members Dr. Ralph Körfgen and Hannes Reichl in accordance with the terms of their Management Board contracts.

July 29, 2019:
The Supervisory Board was informed of the status of an acquisition project. The applicable risks were explained and the financing options were set out. The Supervisory Board approved the further pursuit of the project. The Supervisory Board discussed a potential change in the legal form of the Company with the Management Board. The Supervisory Board discussed the cancellation of the Management Board contract with Christian Teig.

July 30, 2019:
The discussion of the cancellation of the Management Board contract with Christian Teig was continued.

August 1, 2019:
The Supervisory Board resolved cash compensation for stock options in the cancellation agreement with Christian Teig. The acquisition of property at the head office in Koblenz was approved.

August 30, 2019:
The Supervisory Board was informed of the status of an acquisition project.

September 15, 2019:
The Supervisory Board discussed the status of an acquisition project with the Management Board. The Management Board is considering abandoning the project in light of the substantial new legal risks that have arisen. The Supervisory Board essentially concurred with this risk assessment and also advocated turning down the transaction. The Management Board explained the transaction costs that had arisen to date and their impact on the Company's earnings guidance.

September 30, 2019:
The Supervisory Board discussed the reasons for Uwe Eibich's resignation from the Management Board, and the possible terms for the cancellation of the Management Board contract thus entailed. The Supervisory Board approved the cancellation agreement.

November 8, 2019:
In this meeting, the Supervisory Board discussed the draft budget for 2020 and updated the Rules of Procedure for the Management Board. Furthermore, two potential business acquisitions were discussed. The acquisition of Epsilog SAS, France, was approved.

November 21, 2019:
The Supervisory Board was informed of the status of a significant acquisition project and the options for its financing.

November 26, 2019:
The Supervisory Board was informed of the results of the due diligence and the risks of an acquisition project. A fairness opinion on the purchase price had been provided by an audit company. Following its discussion, the Supervisory Board approved the acquisition and the issue of a binding offer.

November 28, 2019:
The Supervisory Board approved a possible increase in the purchase price for an acquisition project.

December 6, 2019:
The Supervisory Board heard reports on the current status of all business areas at this meeting. The budget for 2020 presented by the Management Board for the CompuGroup Medical Group was then discussed with the Management Board.

The Supervisory Board unanimously approved the budget for 2020. The Management Board reported on the status of various significant projects. The Supervisory Board approved the acquisition of Flexsoft in Belgium. The feedback from the members of the Supervisory Board on the efficiency review was discussed.

There were no conflicts of interest in the Supervisory Board in the reporting time frame.

All members of the Supervisory Board participated in each of the above meetings and resolutions in fiscal year 2019, or were connected by telephone/video conference, with the exception of Mr. Schrod, who was unable to attend the meetings on July 30, 2019 and November 28, 2019.

The Management Board sent the annual financial statement and consolidated financial statement, the combined management report of CompuGroup Medical SE and the group for financial year 2019 as well as the separate non-financial report to the Audit Committee and the Supervisory Board after its preparation.

In accordance with the statutory provisions, the audit company elected by the Annual General Meeting and appointed by the Supervisory Board, KPMG, audited the annual financial statements of CompuGroup Medical SE, its consolidated financial statements and the combined management report of CompuGroup Medical SE and the Group as at December 31, 2019, together with the accounting system, and issued an unqualified audit opinions.

At its meeting on March 16, 2020 the members of the Audit Committee discussed in detail the annual financial statements, the combined management report of CompuGroup Medical SE and the Group, the separate non-financial report and the audit results of the auditor in the presence of the auditor. The auditor reported on the main results of his audit. In this basis, the Audit Committee proposed to the Supervisory Board to approve the financial statements prepared by the Management Board.

The Supervisory Board took note of the audit results and the recommendation of the Audit Committee. At its meeting on March 16, 2020, the Supervisory Board was presented with the annual financial statements prepared and submitted by the Management Board in due time for fiscal year 2019, the consolidated financial statements and the management report of CompuGroup Medical SE and the Group, in addition to the Management Board's proposal for the appropriation of the net retained profits, the separate non-financial report and the corresponding auditor's reports. The Supervisory Board examined the documents submitted. Employees of KPMG AG Wirtschaftsprüfungsgesellschaft, head office: Berlin, personally answered all the Supervisory Board's questions in detail.

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

In accordance with section 171(2) of the Aktiengesetz (AktG – German Stock Corporation Act), the Supervisory Board has reviewed and approved the annual financial statements of the parent company and the Group, and the management reports of CompuGroup Medical SE and the Group, in addition to the proposal for the appropriation of the net retained profits and the risk report. CompuGroup Medical SE's annual financial statements were therefore adopted. The consolidated financial statements were approved. The Supervisory Board approved the Management Board's proposal for the appropriation of the net retained profit. The separate non-financial report were approved.

The Management Board submitted its report on relations with associated companies (dependency report) in accordance with section 312 AktG, and its declaration in accordance with section 312(3) AktG, to the Supervisory Board. The auditor examined the dependency report and issued the following opinion on the results of its audit: "Based on our audit and assessment, which we have carried out in accordance with professional standards, we hereby confirm that the factual statements made in the report are correct, the Company's compensation with respect to the transactions listed in the report was not inappropriately high." The Supervisory Board acknowledged and approved the result of the audit and audited the dependency report in turn. According to the final results of the audit by the Supervisory Board, there are no objections to the declaration by the Management Board at the end of the dependency report.

The Supervisory Board would like to thank all the members of the Management Board and the employees of CompuGroup Medical SE and its associated companies for their hard work and commitment in the past fiscal year. The Supervisory Board would like to thank Christian Teig and Uwe Eibich, who left the Management Board in the financial year 2019, for their long and successful, dedicated work. We have personally valued our colleagues and wish them the very best for their future.

Koblenz, March 16, 2020
The Supervisory Board

Dr. Klaus Esser
Chairman of the Supervisory Board

Corporate Governance Statement

The actions of the management and controlling bodies of CompuGroup Medical SE are guided by the principles of good and responsible corporate governance. The Management Board – also on behalf of the Supervisory Board – issues the following corporate governance declaration in accordance with item 3.10 of the German Corporate Governance Code and section 289f(1) of the Handelsgesetzbuch (HGB – German Commercial Code).

Declaration of compliance with the German Corporate Governance Code
Joint declaration of compliance by the Management Board and the Supervisory Board of CompuGroup Medical SE with the German Corporate Governance Code in accordance with section 161 AktG:

Since the last declaration of compliance issued in March 2019, CompuGroup Medical SE has complied with the recommendations of the German Corporate Governance Code (Code) as amended February 7, 2017, with the exceptions disclosed.

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 outlined below:

Section 3.8 of the Code:
In accordance with item 3.8 of the Code, a D&O insurance policy for the Supervisory Board should include a deductible equal to that for 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 given the amount of Supervisory Board remuneration.

Section 4.2.2 of the Code:
In accordance with item 4.2.2 of the Code, the Supervisory Board should consider the ratio of the remuneration of the Management Board and that of senior management and the workforce as a whole, including its development over time, in determining the remuneration of the Management Board. The Supervisory Board has not yet complied with this recommendation as the Supervisory Board does not consider this approach to be appropriate in determining the remuneration of the Management Board.

Section 4.2.3 of the Code:
In accordance with item 4.2.3 of the Code, the total amount of the remuneration of the Management Board of the Company and its variable remuneration components should be capped. The contract with the CEO does not stipulate such a cap so as to offer a special incentive that would not be possible to the same extent if a cap were in place.

The Supervisory Board has reserved the right to adjust performance targets or the underlying benchmarks during the term of the contract. This is necessary to maintain the flexibility needed to allow the Company to respond to changes.

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

Section 5.1.2 of the Code:
In accordance with item 5.1.2 of the Code, an age limit should be specified for members of the Management Board. This recommendation is not complied with as the Company does not consider a fixed age limit for members of the Management Board to be appropriate. When selecting candidates, the Company wishes to be able to assess this aspect individually, weighing up the candidate's expertise and performance in each individual case. Given the international nature of the Company, the Supervisory Board will also pay attention to diversity in the composition of the Management Board.

Section 5.3.2 of the Code:
The Company deviates from the recommendation in item 5.3.2 of the Code, which stipulates that the Chairman of the Supervisory Board should not also be the Chairman of the Audit Committee, as the Chairman of the Supervisory Board has special expertise and experience in the application of financial reporting standards and internal control procedures, and is also considered independent by the Supervisory Board.

Section 5.3.3 of the Code:
In accordance with item 5.3.3 of the Code, the Supervisory Board should form a Nomination Committee, composed exclusively of shareholder representatives, which proposes suitable candidates to the Supervisory Board for its recommendations to the Annual General Meeting. This recommendation has not been complied with. There are no plans to form a separate Nomination Committee as the Supervisory Board as a whole is responsible for the duties of preparing nominations in close cooperation with the largest shareholders.

Section 5.4.1 of the Code:
In accordance with item 5.4.1 of the Code, an age limit should be specified for members of the Supervisory Board. This recommendation is not complied with as the Company does not consider a fixed age limit for members of the Supervisory Board to be appropriate.

When selecting candidates, the Company wishes to be able to assess this aspect individually, weighing up the candidate's expertise and performance in each individual case.

The Company will primarily take the knowledge, skills and professional experience of potential candidates into account in determining the composition of the Supervisory Board. The Supervisory Board will therefore also not set a standard limit on membership of the Supervisory Board.

The Supervisory Board will exclusively set fixed targets for the share of women on the Supervisory Board in order to remain as flexible as possible in its decisions on the suitability of possible nominees for its future composition in individual cases.

Section 5.4.6 of the Code:
The remuneration regulation for the Supervisory Board of CompuGroup Medical SE essentially provides for uniform fixed remuneration. All members of the Supervisory Board are expected to perform their duties with the utmost commitment and motivation and with a view to the long-term success of the Company. To date, only the Chairman of the Supervisory Board has received 50 percent more remuneration, as the activities performed by the Chairman are much more extensive than those of the other members, including the Deputy Chairman and the committee members.

Koblenz, January 23, 2020

Dr. Klaus Esser
Chairman of the Supervisory Board

Frank Gotthardt
Chairman of the Management Board

Corporate Governance Statement

UPDATE OF THE DECLARATION OF COMPLIANCE BY THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD OF COMPUGROUP MEDICAL SE WITH THE RECOMMENDATIONS OF THE GERMAN CORPORATE GOVERNANCE CODE IN ACCORDANCE WITH SECTION 161 AKTG

The Management Board and the Supervisory Board of CompuGroup Medical SE last issued a declaration of compliance in accordance with section 161(1) of the Aktiengesetz (AktG – German Stock Corporation Act) on January 23, 2020. This declaration is hereby amended and updated as follows:

Section 4.2.3(2) of the Code:
In accordance with Item 4.2.3(2) of the Code as amended February 7, 2017 (announced on April 24, 2017), there should be caps on the amount of the overall remuneration of the Management Board of the company and on variable remuneration components.

The agreement signed with the designated new CEO on February 12, 2020 provides for stock options to be granted in accordance with the authorization resolution of the Annual General Meeting of the company on May 15, 2019 as a long-term incentive remuneration component. A cap on the amount of this remuneration component is not intended, as its special incentive effect would not be achieved to the same extent if its amount were limited. As the long-term incentive remuneration component is granted in the form of stock options, the Supervisory Board also does not feel that a cap is necessary as the shareholders of the company participate directly when the price of the company's shares rises.

Section 4.2.3(4) of the Code:
In accordance with Item 4.2.3(4) of the Code as amended February 7, 2017 (announced on April 24, 2017), the severance cap should be calculated on the basis of the total remuneration for the past fiscal year and, if necessary, on the anticipated total remuneration for the current financial year.

The provisions of the contracts with the members of the Management Board in office and with the designated new CEO do not stipulate that the agreed severance caps must be calculated based on specific total remuneration. In the opinion of the Supervisory Board, there is no guarantee that setting the amount of severance caps on the basis of past earnings leads to representative results for determining future lost earnings on account of early contract termination.

The contract with the CEO in office stipulates that no severance will be paid in the event of early termination. Therefore, there are also no further regulations limiting its amount.

The declaration of compliance of January 23, 2020 remains otherwise unchanged.

Koblenz, February 12, 2020

Dr. Klaus Esser	Frank Gotthardt
Chairman of the Supervisory Board	Chairman of the Management Board

Corporate Governance Practices
CompuGroup Medical recognizes its duty to be a responsible member of society. 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 other corporate governance principles of CompuGroup Medical, this ethical principle goes beyond the legal provisions and recommendations of the Code in some areas. 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 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 fundamental principle of German stock corporation law is the dual management system with two governing bodies – the management board and the supervisory board – each of which has its own independent powers. The Management Board and the Supervisory Board of CompuGroup Medical work together closely and in a spirit of trust in the governance and monitoring of the Company.

CompuGroup Medical's Management Board has clearly defined areas of responsibility and duties in corporate governance. The corporate governance model follows the allocation of responsibilities 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.

One member of the Management Board manages the Outpatient Facilities department. This department includes the Doctor Information Systems, Dentist Information Systems and Pharmacy Information Systems areas.

One member of the Management Board manages the Stationary Facilities department. This department includes the Hospital Information Systems, Rehabilitation, Social and Laboratory Information Systems areas.

One member of the Management Board manages the new CHS Consumer & Health Management Systems department created in 2019. This department includes the Consumer, insurance and industrie, telematicinfrastructure, data & analytics areas and the development team in Rumania.

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

The sixth member of the Management Board manages 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 that knowledge is shared 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 it 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 governed by law and 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 do not sit on the Supervisory Board. The Supervisory Board has a sufficient number of independent members who have no business or personal relationships with the Company or its Management Board. The Supervisory Board typically convenes six to eight times a year. In at least one meeting, the Supervisory Board discusses Group's 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 such efficiency review took place in 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 the auditor. 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 formation of further committees is not planned at present.

The Management Board and the Supervisory Board must act in the interests of CompuGroup Medical SE. There were individual conflicts of interest in the Supervisory Board in the past fiscal year that have been explained in the report of the Supervisory Board. No member of the Management Board held more than three seats on supervisory boards of listed stock corporations not belonging to the Group.

Target Figures for the Composition of the Supervisory Board and Management Board
In accordance with section 111(5) AktG, the Supervisory Board of the company last discussed the targets for the share of women in March 2017 and, taking into account the specific situation of the Company, determined the following:

a) A target of 1/6 was set for the Supervisory Board for the period until June 30, 2020.
b) A target of zero was set for the Management Board for the period until June 30, 2020.

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

Targets for the composition of the two management levels below the Management Board
In accordance with section 76(4) AktG, the Management Board of the Company last discussed the targets for the share 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 share of women was set at 30 percent. The deadline for achieving the target was set at July 31, 2023.

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

Remuneration of the Management Board and Supervisory Board
CompuGroup Medical SE complies with the recommendations of the German Corporate Governance Code to disclose the individual 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 business 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 that ensure that these risks are tracked, assessed and managed. The systems are evolved on an ongoing basis and adapted in line with changing conditions. The Management Board regularly reports to the Supervisory Board on existing risks and their development. The Audit Committee primarily deals with the monitoring of the accounting process, including reporting, the effectiveness of the internal control system, risk management, compliance and audits.

Details on CompuGroup Medical's risk management are presented in the risk report within the management report. In addition, the report on the accounting-related internal control and risk management system required by the Bilanzrechtsmodernisierungsgesetz (BilMoG – German Accounting Modernization Act) can be found in the (Group) management report.

Accounting and audits of financial statements
CompuGroup Medical SE prepares its consolidated financial statements and its 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. 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 fiscal year 2019 were audited by KPMG AG Wirtschaftsprüfungsgesellschaft, head office: Berlin, Frankfurt/Main branch, the auditor appointed by the 2019 Annual General Meeting. The audits were conducted in accordance

with German audit regulations and the generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (German Institute of Certified Public Accountants). The audit procedures also included the risk early warning system. It was also agreed with the auditor that they would inform the Supervisory Board without delay of any grounds for disqualification or partiality, and of any material findings or events arising in the course of the audit. There were no such findings in the reporting time frame.

Shareholders and the 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 fiscal year. In accordance with the Articles of Association, the Annual General Meeting is chaired by the Chairman of the Supervisory Board. The Annual General Meeting makes decisions on all matters assigned to it by law. CompuGroup Medical's goal is to make it as easy as possible for shareholders to participate in the Annual General Meeting. For this reason, all documents required for participation are published in advance on the Internet. Shareholder proxies are appointed for the Annual General Meeting, whom shareholders can instruct to exercise their voting rights as per their wishes.

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 (approximately 33.65 %)
Uwe Eibich:	97,744 shares (approximately 0.18 %)
Michael Rauch:	2,200 shares (approximately 0.00 %)
Hannes Reichl:	1,500 shares (approximately 0.00 %)
Frank Brecher:	1,284 shares (approximately 0.00 %)
Supervisory Board:	
Prof. Daniel Gotthardt:	3,571,711 shares (approximately 6.71 %)
Dr. Klaus Esser:	140,000 shares (approximately 0.26 %)

Transparency:
CompuGroup Medical SE attaches great importance to the uniform, comprehensive and timely dissemination of information. Reporting on the business situation and results of CompuGroup Medical SE is provided in the annual report, the quarterly disclosures, at the annual Investor and Analyst Conference and in regular conference calls. In addition, information is provided in the form of press releases and ad hoc disclosures, in addition to 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 produced the required insider trading list. The relevant persons were informed of their legal obligations and sanctions.

Key Figures 2019

AMBULATORY INFORMATION SYSTEMS

36 %
Margin

445
Revenue (m)

746

HOSPITAL INFORMATION SYSTEMS

14 %
Margin

136
Revenue (m)

PHARMACY INFORMATION SYSTEMS

119
Revenue (m)

27 %
Margin

CONSUMER & HEALTH MANAGEMENT INFORMATION SYSTEMS

46
Revenue (m)

25 %
Margin

Combined Management Report Financial year 2019

THE CGM GROUP

CompuGroup Medical SE (CGM) develops and sells efficiency and quality-enhancing software plus information technology services for the healthcare sector. The Company is one of the leading players in the development of global eHealth solutions and is a key provider in Germany and on other key European markets. CGM's software products and related services are designed to assist in all medical and organizational activities in doctors' offices, medical laboratories, pharmacies, hospitals and other healthcare facilities. Its information services for health insurance companies and pharmaceutical producers contribute towards a more secure and more efficient healthcare system. The Company's services are based on a customer base of doctors, dentists, hospitals and pharmacies and other healthcare facilities. Headquartered in Koblenz, Germany, the Company has a wide and global reach with offices in 18 countries and installations in 56 countries worldwide. More than 5,600 highly qualified employees assist customers with innovative solutions for the steadily growing demands of the healthcare system.

Organizational structure

CGM Group consists of a large number of companies in various countries, all of which are controlled directly or indirectly by the parent company CompuGroup Medical SE. Please see section C in the notes to the consolidated financial statements for a full list of Group companies and other equity investments. The subsidiaries in each country serve as a platform for our local employees who carry out sales and marketing, service and support, R&D and general administration close to their customers and markets. The legal entities notwithstanding, the Group is managed as one company with reporting lines and decision-making powers defined by operating segments rather than by the legal structure.

Business segments

CGM performs services for a broad range of healthcare providers, from general practitioners, community clinics and pharmacies to hospitals and medical laboratories. We also offer products and services to facilitate networking between various healthcare providers, specifically targeting pharmaceutical companies, healthcare payors and patients. Our offering is built on a portfolio of reliable and user-friendly software applications, supplemented by a broad range of value-added services to facilitate cooperation within the healthcare universe as a whole. Our solutions are tailored to specific user communities, each with a unique set of requirements and success factors. The following four operating segments comprise our full portfolio of products, solutions and services.

Ambulatory Information Systems (AIS)

This business segment focuses on practice management software and electronic medical records for doctors in private practice, medical care centers and doctor's networks. Customers are generally primary care providers who are active in ambulatory care and who provide health services to outpatients who visit a healthcare facility and are discharged again on the same day after successful treatment/consultation. For these healthcare providers, products and services are packaged into an end-to-end solution that covers all clinical, administrative and billing-related functions needed to operate a modern care facility. We also offer supplementary Internet and intranet solutions to guarantee the secure exchange of patient data.

Pharmacy Information Systems (PCS)

This business segment focuses on integrated clinical, administrative and billing-related software applications for pharmacies. Software and related services provide accurate information and helpful decision support to manage the complete medication supply chain from procurement and shipping of medications through efficient management and inventory control all the way to planning, execution and controlling of the retailing function. Safe and cost-efficient dispensing of medications to patients is ensured through advanced medication safety and control functions and decision support tools for generic substitution and cost optimization strategies. We also offer in-store and online merchandising programs supported by paper-based and electronic communication and advertising solutions.

The Ambulatory and Pharmacy Information Systems business segments are firstly tailored to smaller established service providers, whereby many customers are buyers and decision-makers in addition to being software users on a day-to-day basis. Sales cycles and decision-making processes are short, and installation and provision of software solutions can usually be completed over the course of a few days. Secondly, its product portfolio also offers solutions for larger medical facilities, such as medical care centers or medical practice associations.

Hospital Information Systems (HIS)

This business segment focuses on clinical and administrative solutions for the inpatient sector, where health services are provided over a prolonged time period (from a few days to several years) through highly specialized, secondary care institutions. Customers range from acute care hospitals to rehabilitation centers and social services, including multi-location hospital networks and regional care organizations. The software and related services facilitate patient administration, resource and personnel management, medical documentation and invoicing. In addition, the use of some clinical software applications supports various specialist departments and laboratories. As a full service provider, CGM pursues an integrated care approach and provides customized software solutions for practically all aspects of administration, planning and care delivery in secondary care institutions.

Consumer & Health Management Information Systems (CHS)
This area is for 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. Communication and data solutions allow pharmaceutical companies to provide information to healthcare providers through software interfaces. In addition, CGM collects and transfers anonymous clinical data for market studies, clinical trials, etc. The CHS segment also targets healthcare insurers by providing them an information channel to other healthcare providers via software interfaces. Information, best practices and clinical guidelines are integrated into doctors' workflows to optimize decision-making and thereby assist them in delivering the highest quality and utmost cost efficiency in patient care. Other examples for product and services offerings in this business segment are clinical decision support systems as well as medications and therapy databases for healthcare providers. For other healthcare IT companies, CGM offers solutions for personal health records, consumer portals and mobile applications.

Reporting segments
The operating segments described above form the basis of our segment reporting in accordance with the International Financial Reporting Standards (IFRS). The IFRS reporting segments are further described in section F of the notes to the consolidated financial statements. Figures in the following sections are presented in either millions (EUR million) or thousands of euro (EUR '000).

Business model
CGM's business model is built for long-term sustainability and profitability. The primary sources of income are software maintenance contracts and other recurring revenue. The managed service contracts that CGM offers reflect the ongoing nature of the value we deliver for our clients. In return for a fixed and plannable fee, clients are offered high-quality products backed by premiere service and readily available, expert support. While upholding these principles, the market characteristics and corresponding business models vary significantly across the individual business segments.

The Ambulatory and Pharmacy Information Systems business segments are tailored to smaller established service providers, whereby many customers are buyers and decision-makers as well as software users on a day-to-day basis. Sales cycles and decision-making processes are short, and installation and provision of software solutions can usually be completed over the course of a few days. Software maintenance and other recurring revenue are the main source of income. The share of recurring revenue has been between 60 % and 70 % in recent years. Other revenue comprises (one-time) revenue from license sales (deferred over the minimum term of the maintenance contract), training and consulting services and other revenue from third party licenses, associated hardware and equipment, etc. The customer relationships entered into are generally intended to be long-term.

The Hospital Information Systems business segment has a project-oriented business model in which our customer is usually also the buyer and decision-maker but not the day-to-day user of the software. In this business segment, customers are usually hospital administrations (IT or procurement departments), the administration of a hospital chain or other operators of hospital networks, regional care organizations or regional public sector organizations and laboratories. 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-making cycles. Projects can take several months or even several years from software solutions being installed to going into live use. Sales revenues from consulting, training and other services are significantly higher than in the Ambulatory and Pharmacy Information Systems business segments.

The business model in the Consumer & Health Management Information Systems focuses on communication and data solutions, and is based on cooperation agreements with pharmaceutical companies (typically lasting six to twelve months), ad hoc advertising (ongoing) and income from contracts for the collection and transmission of clinical data.

CHS's sales revenues from workflow and decision support are based on project business (sale of licenses and professional services), software maintenance and technical support, and performance-based revenue (on the basis of the costs and quality of services for patients).

External factors influencing business
In its "Health at a Glance" study from November 2019, the OECD forecasts that the share of health care expenditure within OECD member states will grow from 8.8 % of respective gross domestic product (GDP) in 2015 to 10.2 % in 2030.

At 16.9 % of GDP, the United States currently spends by far the most on healthcare, followed by Germany and France (11.2 % each), Sweden (11.0 %) and Japan (10.9 %). A large group of OECD countries, including Europe, Australia, New Zealand, Chile and Korea, spends between 8 % and 10 % of GDP.

Changes to the composition of the Group
The composition of the Group has changed in the reporting year as result of several acquisitions. The most significant of these acquisitions are listed below. Moreover, certain subsidiaries have been merged or renamed, though this has no significant impact on the Group and is not discussed in this management report. For more information on such mergers and name changes, as well as smaller acquisitions, please see section C. of the notes to the consolidated financial statements.

Consolidation of Fablab S.r.l, Italy
The merger of Intermedix Italia S.r.l. and Fablab S.r.l., both in Italy, resulted in a disposal from the Group in 2017. As Fablab was not controlled as at the end of the reporting period, it was considered an associate and measured at equity. CGM has controlled Fablab since January 1, 2019 as a result of a change in its governance structure, and the company has been included in consolidation since that date. Fablab provides communications and data services for pharmaceutical companies in Italy.

Acquisition of AIS sales and service partners, Germany
In January 2019, CGM acquired 95 % of the business of CoSi Medical IT GmbH (CoSi) by way of an asset deal. CoSi is a sales and service partner specializing in a CGM product line and supporting and selling it to medical practices in its region. The company is headquartered in Sigmaringen and has a branch in Eching near Munich, and serves around 1,000 medical practices in Baden-Württemberg and Bavaria. In January 2019, CGM increased its interest in the sales and service partner Gotthardt Informationssysteme GmbH (GIS) from 28 % to 100 % by acquiring all remaining shares. The company has 200 employees in total, is headquartered in Koblenz, has 12 branches in Germany and serves around 6,000 medical practices.

Acquisition of Qualizorg B.V., Netherlands
In February 2019, CGM acquired 100 % of the shares in Qualizorg B.V. (in the following Qualizorg), Deventer, the Netherlands. The company operates as an online healthcare service provider, and continuously collects standardized and validated data through surveys/questionnaires from patients in contact with clients for the tracking, management and reporting of patient-reported experience measurements (PREMs) or patient-reported outcome measurements (PROMs) in primary healthcare.

Acquisition of the assets of Eurosof2000 S.L.U., Spain
In April 2019, CGM acquired the business operations of Eurosof2000 S.L.U. (Eurosof) in a business combination by way of a transfer of net assets (asset deal). Eurosof2000 is a company based in Badajoz, the capital of the Extremadura region in southeast Spain, whose Farmalog software is used by 390 pharmacies. The Farmalog e-prescription module is already approved and is used in pharmacies in four regions of Spain.

Acquisition of EPSILOG SAS, France
In December CGM acquired 100 % of EPSILOG SAS (and its parent company MB Invest SAS), a leading healthcare IT provider with a focus on physiotherapists and outpatient care in France. EPSILOG generated sales revenues of more than EUR 14 million with 44,000 customers in financial year 2018.

Objectives and strategies
CGM's unchanged strategic objective is to further expand its position as a leading international provider of IT solutions for the healthcare system. The key elements of its corporate strategy are summarized as follows:

+ Further growth of the customer base of doctors, dentists, pharmacists and hospitals through acquisitions and organic growth.
+ Organic growth by selling new products and services to existing customers and through additional sales revenues from business with pharmaceutical companies, payors and other participants in the healthcare system.
+ Continuously leading position in technology and innovation.

Internal management system
CGM's internal management system is based on a number of key performance indicators (KPIs). The KPIs assist us in management and in measuring our performance, and are derived from our three primary objectives:

1. Growth
2. Profitability
3. Sustainability

In any calculation of fundamental value, growth is the crucial factor for monetary value. In addition, and also because of the inherent economic benefit, growth drives pricing multiples on 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. In terms of our customers, growth means we can invest more in our products and services with technology investments spread over a broader base for generating sales revenues. Ultimately, growth is a top priority for all stakeholders of CGM: customers, employees and shareholders.

In addition to organic growth, CGM uses company acquisitions as a means of expanding its business. Profitability is key when allocating funds for both acquisitions and for organic revenue growth. This is expressed by the performance indicators return on sales and return on capital. The focus here is on the ratio of EBITDA to net external sales revenues and the return on capital employed (ROC). Furthermore, dynamic investment calculation methods and the development of (free) cashflow over time are used to assess the profitability of growth and investment decisions.

The long-term viability and sustainability of the Company is also fundamentally important to all stakeholders of CGM. Business activity is based on long-term customer relationships with revenue from software maintenance and recurring revenue being the primary sources 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 and experience owners who guarantee continuity in customer relations. That is why we develop special methods to measure and stimulate employee engagement as part of our sustainability objective. Our technological innovation capability and our ability to develop strategic partnerships also help to secure the long-term prospects of our operations.

Unless stated otherwise, all financial data are audited figures from the IFRS consolidated financial statements. Please see section E of the notes to the consolidated financial statements for more information. Furthermore, please note that the prior-year figures as at December 31, 2018 (balance sheet) and for financial year 2018 (income statement) in the consolidated financial statements have been adjusted due to a correction of an error in accordance with IAS 8. If this is not already clear from the column heading "2018 (adjusted)" in the following section, the restated amounts are intended. For further information, please also see section A.3 "Corrections in accounting" in the notes to the consolidated financial statements.

Main financial indicators:
1. Sales revenues/revenue growth: This performance indicator provides the best possible insight into our ability to fulfill our primary growth objective. The absolute size of CGM is defined internally by its sales revenues with third parties ("revenue"), and growth is defined as the year-on-year revenue growth calculated as current year sales revenues relative to the same time period twelve months ago, expressed as a percentage.

2. 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, the volatility of EBITA is comparable to EBITDA, which is why EBITDA is reported externally.

Other financial indicators:
In addition to the main financial indicators described above, we also report other key figures that are largely derived from our internal financial reporting. The other key figures and further voluntary disclosures and explanations in this management report that have not been audited are indicated with an asterisk ("*").

Recurring revenue*/growth in recurring revenue: Our recurring revenue includes revenue from all software maintenance contracts plus subscriptions for services such as Internet access (ISP), electronic data interchange (EDI) and transaction processing, business process outsourcing, data center hosting, hardware rental, etc. The principal source of recurring revenue is software maintenance, whereby customers pay fees to receive software updates and expansions and access to a hotline support service.

EUR `000	2019	2018
Software maintenance and other recurring revenue	460,816	414,720
Hardware rental (non-IFRS)*	5,236	5,564
Recurring revenue*	466,052	420,284
Growth (in %)*	10.9%	7.0%

* Classified as financial lease under IFRS

Organic growth*: Organic growth is defined as the year-on-year increase in sales revenue, adjusted for sales revenues from companies consolidated for the first time in the reporting period or from companies consolidated for the last time in the same period of the previous year. Organic growth is an important component of our overall growth strategy. Organic growth is also an indicator of our ability to create added value with regard to our acquisitions.

EUR `000	2019	2018
Group sales revenue	745,808	717,023
Ambulatory Information Systems	31,482	1,574
Pharmacy Information Systems	655	0
Hospital Information Systems	1,309	598
Health Connectivity Services	2,192	1,506
Group Organic sales revenues*	710,170	713,345
Organic growth (in %)*	–0.4%	22.4%
Revenue TI*	87,402	129,773
Organic growth not including TI (in %)*	6.7%	2.6%

Cash net income: Cash net income is defined as the reported consolidated net income for the period plus amortization and impairments on intangible assets except amortization on capitalized inhouse services. 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	2019	2018 (restated)	Source
Consolidated net income for the period	66,151	96,342	Income Statement
Amortization of intangible assets with the exception of capitalized inhouse services	29,024	25,598	Development of intangible assets and property, plant and equipment
Goodwill impairment	1,248	2,871	Development of intangible assets and property, plant and equipment
Cash net income	96,423	124,811	

We will no longer be reporting “Cash net income” as a financial indicator for financial year 2020, and will be replacing it with “Adjusted free cash flow”.

Leverage: Debt financing and leverage are an important indicator at Group level for optimizing the cost of capital. Leverage is defined as the ratio of net debt to EBITDA, whereby net debt is calculated as current and non-current liabilities to banks minus cash and cash equivalents.

EUR `000	2019	2018 (restated)	Source
Net debt	403,298	283,122	a + b + c
a. Liabilities to banks (non-current)	410,838	302,602	Balance sheet
b. Liabilities to banks (current)	38,810	5,822	Balance sheet
c. Cash and cash equivalents	–46,350	–25,302	Balance sheet
EBITDA	178,126	187,836	Income statement
Leverage	2.26	1.51	

Pro forma leverage amounts to 2.04 in 2019.

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 %). 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.

The return on capital is being reported for the last time in this report, as it is distorted by acquisitions and will therefore no longer be used as a key performance indicator .

EUR `000	2019	2018 (restated)	2018	Source
EBIT	115,270	143,233	137,879	Income statement
Operating earnings after taxes	80,689	100,263	96,515	EBIT x (1 – 30%)
Capital employed	860,828	644,780	653,951	a – b + c – d
a. Assets	1,065,862	848,311	848,311	Balance sheet
b. Current liabilities	197,494	184,051	178,229	Balance sheet
c. Current liabilities to banks	38,810	5,822	5,822	Balance sheet
d. Cash and cash equivalents	46,350	25,302	25,302	Balance sheet
Return on Capital (in %)	9.4 %	15,4 %	14,9 %	After-tax operating income Invested Capital (t-1)

Pro forma financial indicators

In order to provide a better insight into financial position and financial performance, we have calculated pro forma financial indicators (exclusively for financial year 2019 and the comparative 2018 period). These indicators are not defined by the International Financial Reporting Standards (IFRS) and should be seen as supplementary information. They are calculated as follows:

Pro forma EBITDA and pro forma EBITDA margin

EUR `000	2019	2018 (restated)
Reported EBITDA	178,126	187,836
M&A costs for significant projects not pursued further	16,108	0
Settlement of stock option for former member of the Management Board	3,898	–5,354
Pro Forma EBITDA	198,132	182,482
Pro Forma EBITDA margin	26.6 %	25.4 %

Pro forma earnings per share (diluted)

EUR `000	2019	2018 (restated)	Source
Reported consolidated net income for the period	65,819	96,342	Income statement
M&A costs for significant projects not pursued further	16,108	0	Income statement
Settlement of stock option for former member of the Management Board	3,898	–3,747	Income statement
Pro forma consolidated net income for the period	85,825	92,595	
Pro forma undiluted earnings per share (EUR)	1.76	1.86	
Pro forma diluted earnings per share (EUR)	1.74	1.85	

Pro forma cash net income

EUR `000	2019	2018 (restated)	Source
Consolidated net income for the period	66,151	96,342	Income statement
M&A costs for significant projects not pursued further	16,108	0	Income statement
Settlement of stock option for former member of the Management Board	3,898	–3,747	Income statement
Amortization of intangible assets with the exception of capitalized inhouse services	29,024	25,598	Income statement
Goodwill impairment	1,248	2,871	Income statement
Pro Forma Cash net income	116,429	121,064	

Pro forma free cash flow

EUR `000	2019	2018 (restated)	Source
Reported operating cash flow	110,495	136,348	Cash flow statement
M&A costs for significant projects not pursued further	16,108	0	Income statement
Settlement of stock option for former member of the Management Board	17,000	0	Income statement
M&A provisions	–6,976	0	Balance sheet
Pro forma operating cash flow	136,627	136,348	
Cash inflow from disposals of intangible assets	0	554	Cash flow statement
Cash outflow for capital expenditures in intangible assets	–29,056	–27,626	Cash flow statement
Cash inflow from disposals of property, plant and equipment	401	515	Cash flow statement
Cash outflow for capital expenditures in property, plant and equipment	–14,684	–12,727	Cash flow statement
Cash flow from investing activities not including company acquisitions	–43,339	–39,284	Cash flow statement
Pro forma free cash flow	93,288	97,064	

Note: From financial year 2020, CompuGroup will report adjusted key figures for operating EBITDA and earnings per share, and will no longer report the pro forma financial indicators defined above. The indicators to be introduced from 2020 are not defined by the International Financial Reporting Standards (IFRS) and should be seen as supplementary information. Adjusted EBITDA and adjusted earnings per share include no effects from the acquisition and disposal of subsidiaries, parts of companies or equity investments (including effects from the subsequent measurement of contingent purchase price liabilities), write-downs and reversals of write-downs on equity investments, effects from the acquisition, construction and disposal of properties, impairment and reversals of impairment on owner-occupied properties, expenses in connection with share-based remuneration programs for executives, taxes attributable to the above effects and other non-operating or prior-period non-recurring effects. We will also report adjusted free cash flow in 2020. Adjusted free cash flow is defined as net cash from operating activities after investments not including company acquisitions, disposals of subsidiaries or business areas and cash outflow for capital expenditures in joint ventures, adjusted for extraordinary items. Free cash flow serves as an indicator of an entity's financial health and, in particular, its ability to invest in new business opportunities.

Non-financial indicators

Our 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.

Customer reach

The customer base is an important benchmark for assessing our size and relative importance in the healthcare sector. CGM uses the annual sales revenue from software maintenance, software rental and software as a service (SaaS) as its best estimate of the size and reach of its customer base. Growth in annual revenue for software maintenance, software leasing and software-as-a-service (SaaS) is used as an indicator of growth in the customer base.

EUR `000	2019	2018
Software maintenance	319,365	301,279
Software rental and software as a service	26,195	25,457
Customer reach*	345,560	326,736

CGM has a comprehensive planning and performance management system that comprises the above financial performance indicators. Group-wide planning and reporting software has been customized to CGM's individual requirements to consolidate financial and performance-related information and deliver it to management. The most important KPIs are closely monitored and communicated to management in the form of a reporting package that also includes budget targets. Cascading business review meetings that analyze and discuss results and perform structured comparisons of projected and actual figures are held monthly from the level of business unit managers up to the Management Board. Any negative deviations from planning trigger a deeper and more detailed analysis to identify the causes and initiate corrective measures.

Research and development
Software development at the CompuGroup Medical Group 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, performed both centrally and locally.
+ Development of platform products that are incorporated into the more general information systems as independent products via interfaces. Examples include electronic archiving systems or systems for managing appointments and organizational optimization.
+ Development of a new generation of ambulatory information systems plus the development of a new international hospital information system, 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 can later be used in different products and their individual user interfaces.
+ Development of innovative software solutions in the product area of software-assisted medicine (SAM).

Increasingly, individual components are being processed across sectors by central development teams. Training sessions by external instructors ensure that the teams stay up-to-date with technological developments. Group companies are constantly working to provide customers with state-of-the-art software solutions and services. To ensure the quality of the products offered, our developer teams work with the latest tools according to internationally recognized standards. In addition, external contract developers in Germany and abroad provide development services either on the basis of service agreements ("extended workbench") or work agreements, and are therefore involved in the development of new software solutions and software generations.

Future generations of software developed by CGM will be characterized by a custom 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 that those development activities will become as centralized as possible, especially for the back-end. By contrast, developing and updating the front-end will continue to be the responsibility of the subsidiaries close to markets and customers.

Capitalized inhouse services
In accordance with IAS 38, inhouse development services (approximately 538 thousand hours*; previous year: 436 thousand*) are capitalized as an asset, which had an effect on CGM's EBITDA of EUR 24.6 million (previous year: EUR 18.5 million) in 2019. Amortization of capitalized inhouse services amounted to EUR 4.1 million in financial year 2019. The growth in capitalized inhouse services is essentially due to the establishment of new development resources and a shortening of development processes in individual modules.

Most of this development work resulted from the G3.HIS development project (development of a new hospital information system) and the G3 developments of ambulatory information systems ("GAT" and "EOS" projects), which are being carried out by multiple Group companies. Most of the hours of development work were expensed in the current year. This essentially involves work not eligible for capitalization to adapt/continuously improve software products in line with new or amended legal or contractual requirements. Depending on the area of specialization or current regulations, updates are typically required each quarter. The share of capitalized development costs relative to total R&D costs was 18 % (previous year: 16 %) in the reporting period. An average of 1,824 (previous year: 1,568) employees worked in software development and maintenance in the Group in 2019.

Overall assessment of the Management Board

Based on the above indicators, CGM developed positively overall in financial year 2019. This development was characterized by organic growth adjusted for TI business in all segments, bolstered by acquisition effects. The increase in recurring revenue is consistent with CGM's strategic goals and its business model, which are largely based on long-term customer relationships. Alongside operating activities, the development of key earnings figures was also influenced by the non-recurring effects of M&A transactions and stock options.

ECONOMIC REPORT

General economic conditions

Compared to last year, CGM has not experienced any material change in its business activities due to changes in the global economic environment. The overall economic development of CGM's key markets, which are the European markets (the German market in particular) and the US market, ranged from relatively stable to slight expansion.

The Organization for Economic Co-operation and Development (OECD) provided an analysis of the major economic trends in 2019 in its most recent Economic Outlook published in November 2019. After global expansion peaked at 3.7 % in 2017, and growth slowed marginally in 2018, global GDP grew by 2.9 % in 2019.

In its outlook for 2019 published in October 2019, the International Monetary Fund (IMF) assumes real economic growth of 2.4 % in the US, 1.5 % in Europe and 0.5 % in Germany.

Sector development

The ongoing trend in the healthcare sector, including growth in the market for healthcare information technology (HCIT) and related services, continued in 2019. According to a study published in April 2019 by Markets and Markets, demand for HCIT solutions is being driven by several factors. These include the growing quantity of patient data, the rise in technological expertise and the demand for fast and efficient healthcare processes and systems.

In terms of numbers, the same study by Markets and Markets projects that the healthcare IT market will expand from USD 188 billion in 2019 to USD 391 billion by 2024, with an annual growth rate of 15.8 % throughout the forecast period. In 2019, North America accounted for the majority share of the global HCIT market, followed by Europe and the Asia-Pacific region. The Asia-Pacific market is expected to experience the strongest annual growth over the forecast period.

Markets and Markets predicts that the healthcare provider solutions segment will achieve the highest annual growth in the IT healthcare market in the forecast period, driven by government initiatives to improve the quality of patient care, the need to control the growing costs of healthcare and to improve the efficiency of healthcare services.

Moreover, the study's authors assume that non-clinical solutions will achieve the highest average annual growth rates within the market for healthcare provider solutions. Technological innovations in the field of IT have led to the development of customized software platforms in line with healthcare providers' requirements. This is improving end users' acceptance of IT solutions in healthcare. Furthermore, the market for the non-clinical segment is being stimulated by reduced cost reimbursements, a loss of revenue due to inadequate documentation and strict quality management provisions.

Overall, the healthcare IT market is considered a growth market. CompuGroup Medical firmly believes that it is well positioned to benefit from these developments.

COURSE OF BUSINESS

CompuGroup Medical brought financial year 2019 to a successful conclusion:

The guidance from the management report for financial year 2018 (published in March 2019) was either achieved or significantly outperformed for virtually all key performance indicators for business management.

+ Guidance for consolidated revenue achieved: sales revenues of EUR 746 million (guidance: EUR 720 to EUR 750 million)
    + Consolidated revenue up 4 % year-on-year (guidance: 0 % to 5 %)
    + Organic revenue development (*) stable at prior-year level (guidance: -3 % to +2 %); not including telematics infrastructure: revenue growth of 7 % (*)
    + 11 % increase in recurring revenue * (guidance: 7 %)
    + Recurring revenue (*) of EUR 466 million (guidance: EUR 443 million) at 62 % of total revenue (previous year: 58 %)
+ Adjusted EBITDA guidance (EUR 175 to EUR 190 million) fulfilled at EUR 178 million; original guidance (EUR 190 to EUR 205 million) lowered during year due to non-recurring costs of an abandoned significant M&A transaction outside Europe
    + EBITDA down 5 % as against previous year; pro forma up 8.6 % year-on-year at EUR 198 million
    + EBITDA margin of 23.9 %; pro forma 26.5 % (guidance: 26 % to 27 %)
+ Earnings per share EUR 1.33 (previous year: EUR 1.92); pro forma EUR 1.74 (previous year: EUR 1.85)
+ Cash net income EUR 96.4 million; pro forma EUR 116.4 million (guidance: EUR 108 to EUR 118 million)
+ Cash net income per share EUR 1.98 (previous year: EUR 2.52); pro forma EUR 2.39 (previous year: EUR 2.44)

+ Net debt rises to EUR 403.3 million (December 31, 2018: EUR 283.1 million) due to acquisitions, non-recurring expenses (M&A costs, settlement of stock options) and increased share buyback volume
+ Leverage of 2.26 due to acquisitions, non-recurring expenses and increased share buyback volume (guidance: 1.0 to 1.5)
+ Return on capital 9.4 % (guidance: 14.1 %to 15.7 %)
+ Customer reach (*) EUR 346 million (guidance: EUR 334 million)

The pro forma figures were calculated by adjusting for the non-recurring effect of cash-settled stock option-based remuneration expenses for a former member of the Management Board and the non-recurring expenses for abandoned M&A transactions.

CompuGroup Medical SE

EUR `000	2019	2018 (restated)	Change
Sales revenues	745,808	717,023	4.0 %
EBITDA	178,126	187,837	–5.2 %
Pro forma EBITDA	198,123	182,482	8.6 %
Margin in %	23.9%	26.2%	
Pro forma margin in %	26.6%	25.4%	
Earnings per share (EUR) – diluted	1.33	1.92	–30.7 %
Pro forma earnings per share (EUR) – diluted	1.74	1.85	–5.9 %
Cash net income (EUR)*	96,423	124,811	–22.7 %
Pro forma cash net income (EUR)	116,429	121,064	–3.8 %
Cash net income per share (EUR)	1.98	2.52	–21.4 %
Pro forma cash net income per share (EUR)	2.39	2.44	–2.0 %
Cash flow from operating activities	110,495	136,348	
Cash flow from investments	–139,444	–47,480	
Number of shares outstanding ('000)	48,413	49,206	
Net debt	403,298	283,122	

COURSE OF BUSINESS – SIGNIFICANT EVENTS

In addition to the good development in the operating segments, financial year 2019 was characterized by a series of acquisitions (see notes disclosure 12. a) Changes in the scope of consolidation for reference, the ongoing rollout of the telematics infrastructure in Germany and increased investment in the development of new and existing products.

Telematics infrastructure and German eHealth law

Telematics is a combination of the words telecommunications and informatics (information technology). The telematics infrastructure is a private and secured network dedicated to the healthcare sector in Germany. It is used to securely exchange data between doctors' and dental practices, pharmacies, hospitals and health insurance companies, thus achieving a cross-sector information exchange and cooperation. The Gesetz für sichere digitale Kommunikation und Anwendungen im Gesundheitswesen, also known as the Act on Secure Digital Communication and Applications in the Healthcare Sector or the German eHealth Act, which was launched by the Federal Ministry of Health in 2015 and became effective on January 1, 2016, governs the mandatory national rollout and use of the telematics infrastructure. In line with the TI roadmap, CompuGroup Medical has developed a range of TI products and services for its customers, which have been available and in demand since 2017, initially for doctors' practices but also increasingly for hospitals and pharmacies. By the end of 2019, CGM had carried out more than 54,000 TI installations (*) (by the end of 2018: more than 42,000). Most of these were in the AIS segment with a small share of customers in the HIS segment. The forthcoming connection of pharmacies to the TI infrastructure is subject to field tests for the eHealth connector Kocobox Med+ developed by CGM – the first connector to be approved by gematik in November 2019 subject to field tests. The new software upgrade opens up the medical applications NFDM (emergency data management), eMP (electronic medication plan) and, perspectively, KOM-LE (electronic letters) for all market participants – new applications that use QES (qualified electronic signature).

Ambulatory Information Systems (AIS)

New products and functions

Patients in Germany are feeling increasingly positive towards video consultations. This has been found by a report that states that one in three patients would want to use such a service. CGM ELVI is a certified solution for CGM's customers that satisfies all the technical and data protection requirements of the German National Association of Statutory Health Insurance Physicians (KBV) and the German National Association of Statutory Health Insurance Funds (GKV-Spitzenverband).

In the US, CGM has also successfully launched CGM MediED, a billing solution for health services provided by schools. Such services can be billed to the US health care program, but are often still paid for by the schools themselves on account of their complexity. MediED provides schools with support for the billing and reimbursement of these services.

CGM has also actively and successfully expanded the functional portfolio for its Dental Information Systems business area. In Italy, for example, it launched XDENT Odontoiatira, a product for orthodontists that better reflects the specific features of this target group. In turn, a function was added to DENTIST+ to provide improved support and handling in the area of dental hygiene in the Czech Republic.

Proactive implementation of statutory framework and system adjustments

ELGA, which stands for "electronic health record", is a system for standardizing electronic communication between health service providers in Austria that has been in widespread use by doctors in private practice since the middle of 2019. The C-Box communication interface developed by CGM makes it possible for practice management software to connect to ELGA. All necessary ELGA transactions are performed according to the international IHE standard. The outsourcing of all these functions to C-Box minimizes the complexity of the local doctor's software, and this local software is not affected if there are technical problems with ELGA. The rollout of ELGA and the C-Box contributed significantly to the successful result for the year in Austria.

Microsoft discontinued support and all updates for Windows 7 on January 14, 2020. Over the course of the financial year 2019, CGM used targeted campaigns to successfully assist customers in their migration to Windows 10.

Development of the new CGM product generation and initial market launches

Dedicated development teams are working on the new generations of CGM products in all business areas of the segment. This is done by an agile process that, in particular, gets customers involved in order to integrate specific requirements right from the start. The launch of CGM PRIVATE in Germany and CGM MEDISTAR in the Czech Republic in 2018 was followed by CGM SOUL on the German market in 2019. This innovative solution is also based on G3 technology and is specifically tailored to the needs of psychotherapists.

In Austria, CGM also introduced a third generation software for doctors (based on G3 technology) at the beginning of July. The system has been specially adapted to the needs of acute doctor's surgery (similar to a doctor's on-call practice). The Austrian market launch of CGM PRIVATE began in November and will be stepped up further in 2020.

A focus on patients

In CLICKDOC 2019, CGM has launched a product on the markets of Germany and France that moves the focus to patient-doctor communication. Patients can use this solution to make appointments with their doctors at any time. It also includes the possibility of video consultations. By fully integrating CLICKDOC into all our ambulatory information systems, we allow our customers to work with their familiar practice system easily and without media breaks. For physicians, CLICKDOC is a worthwhile addition to practice management systems that greatly simplifies patient coordination.

Pharmacy Information Systems (PCS)

New products and features

In Germany, CGM launched its WINAPO® ux product, which is winning over users with its straightforward interface and individual system operation. It also already offers new TI services.

In addition, LAUER TAXE ® Online was presented on a new technology basis, highlighting the continuity of this key product on the PCS market since its launch.

Mandatory electronic invoicing implemented for Italian customers

Italy introduced a mandatory e-invoicing system for domestic invoices in its Budget Law for Budget Year 2018. Such e-invoicing requirements already apply to business-to-government invoices, and were extended to general business-to-business (B2B) and business-to-consumer (B2C) invoices as at January 1, 2019. The e-invoicing system requires companies to issue digital invoices via a platform operated by the Italian tax authorities.

To help customers comply with the new regulations, CGM introduced solutions in 2018 to create, send, receive, manage and share electronic invoices between manufacturers, intermediate distributors, customers, accountants and the public administration. All electronic invoices are loaded directly into the pharmacy information system without the need to export data or files. The system's rollout under the 2018 campaign was successfully completed in 2019.

CGM also used targeted campaigns to successfully assist Pharmacy Information Systems segment customers in their migration to Windows 10.

Hospital Information Systems (HIS)

Major order for CGM CLINICAL in Austria

In May 2019, Niederösterreichische Landeskliniken-Holding (NÖLKH) chose the hospital information system CGM CLINICAL as the basis for a company-wide harmonized and centralized information system for medicine and care. Over the next six years, in what is being called the NÖKIS project, NÖLKH and CGM are planning to roll out the system in 19 hospitals in total with more than 7,600 beds at 27 locations.

Significant growth in social sector

Other than the acquisition of the mobile timekeeping and performance tracking system for outpatient care (factis) in the previous year, the main driver for the positive business development in the social sector was the sweeping changes in the legal framework for care and disability/integration assistance operations. In addition to outpatient care, there was also rising demand for care documentation products in inpatient care following the introduction of new quality indicators in Germany. The enactment of the Bundesteilhabegesetz, the German Participation Act, prompted strong demand in the area of disability/integration assistance services in relation to the changes in billing.

Medicinal products authenticity testing at Aescudata

The risk of endangering patients with falsified medicines has increased dramatically all over the world. To minimize the risk of patients unknowingly taking ineffective or even harmful substances with dramatic consequences for their health, the European Commission adopted the EU Falsified Medicines Directive (2011/62/EU) in 2011.

As the requirements for the serialization of medicines have also been mandatory for hospital pharmacies since February 2019, Aescudata was quick to develop and has since successfully launched the "CGM AMOR Medicine Authenticity Testing" module.

Health Communication Services (HCS)

Focus on data

The development in our data business is still highly dynamic. In the "Clinical Notes" solution, we have developed a powerful tool that enables medical practitioners to process doctor's letters much more easily and quickly on the basis of machine learning and artificial intelligence. Furthermore, we have founded an international data competence center within CGM to further advance this development.

Growth at Intermedix

We achieved further growth in our business with the pharmaceutical industry through our subsidiary Intermedix. This growth is based on ever more powerful solutions, on the one hand enabling us to provide significant support in the diagnosis of rare diseases while, on the other, developing our growing capability to process data in real time.

CGM Life – Our successful patient platform

The CGM Life patient platform also reported a growing number of accounts and access events in the financial year. Patients are increasingly using their online accounts to make appointments, renew prescriptions and view findings.

Financial position and financial performance of the Group

EUR million	2019	2018 (restated)	2018
Consolidated Sales revenue	745.8	717.0	717.0
Capitalized inhouse services	24.6	18.5	18.5
Other operating income	13.5	8.0	8.0
Expenses for goods and services purchased	–139.0	– 151,4	– 151,4
Personnel expenses	–339.4	– 281,4	– 286,8
Other expenses*	–127.3	– 122,9	– 122,9
Earnings before interest, taxes, depreciation and amortization (EBITDA)	178.1	187.8	182.5
in %	23.9%	26,2 %	25,5 %
Pro forma earnings before interest, taxes, depreciation and amortization (pro forma EBITDA)	198.1	182.5	
in %	26.6%	25.4%	
Depreciation of property, plant and equipment	–28.5	–11.4	–11.4
Earnings before interest, taxes and amortization (EBITA)	149.6	176.4	171.1
Amortization of intangible assets	–34.3	–33.2	–33.2
Earnings before interest and taxes (EBIT)	115.3	143.2	137.9
in %	15.5%	20,0 %	19,2 %
Financial result	–7.5	–9.1	–9.1
Earnings before taxes (EBT)	107.8	134.1	128.8
in %	14.5%	18,7 %	18,0 %
Income taxes for the period	–41.6	–37.8	–36.2
Consolidated net income for the period	66.2	96.3	92.6
in %	8.9%	13.4%	12,9 %

* Contrary to the income statement, the item for Net impairment losses on financial assets and contract assets in the amount of -4 MEUR in the actual year was reclassified to other expenses

Sales revenues increased by EUR 28.8 million or 4 % over 2019 as a whole to EUR 745.8 million. Company acquisitions contributed EUR 34.5 million to sales revenues (previous year: EUR 6.8 million). Organically (*), the development in sales revenues was stable year-on-year (down 0.4 % as against the previous year). Not including telematics infrastructure sales revenues (*), organic growth amounted to 7 % for the year as a whole. Recurring revenue (*) increased by 11 % to EUR 466.1 million in 2019, primarily as a result of higher contributions from TI operations and higher maintenance volumes in HIS and AIS segments.

At Group level, the main developments in operating expenses in financial year 2019 were as follows:

+ Expenses for goods and services purchased decreased from EUR 151.4 million in the same period of the previous year to EUR 139.0 million. At 81.4 %, the gross margin ((sales revenues less expenses for goods and services purchased)/sales revenues) was up by around 2.5 % as against the previous year. The decline in the cost of goods and the change in the gross margin essentially resulted from a lower sales volume of purchased goods and installation and training services in connection with the introduction of the telematics infrastructure in Germany.
+ Personnel expenses increased from EUR 281.4 million in 2018 to EUR 339.4 million in 2019. The increase in personnel expenses is due to employees in newly acquired companies, changes in the workforce and general salary increases. In addition, personnel expenses were increased by non-recurring costs for the settlement of the stock options of a member of the Management Board who resigned in the reporting period and the recognition of provisions for termination agreements of EUR 5.7 million in total. On an adjusted basis, the reduction of the provision to serve stock options reduced personnel expenses for the prior-year reporting period by EUR 5.4 million. The increase in personnel expenses due to changes in headcount in the reporting period is primarily due to rising investment in new innovative product solutions and the launch of new products.
+ Other expenses went up from EUR 122.9 million in 2018 to EUR 127.3 million in 2019. The adoption of the new IFRS 16 Leases in 2019 reduced other expenses by EUR 17.3 million, as lease and rental expenses for assets within the scope of IFRS 16 are classified as finance leases by lessees and are recognized as right-of-use asset. Non-recurring costs of EUR 16.1 million were incurred in the reporting period for an abandoned major M&A transaction and other major M&A activities. There were also higher expenses in 2019 as a result of the use of external development capacity in connection with the faster completion of new software solutions. In addition, expenses for information and communication technology (ICT), travel expenses and impairments on financial assets and contract assets were up slightly compared to the previous year.

Depreciation of property, plant and equipment increased by EUR 17.1 million to EUR 28.5 million in 2019. This is primarily due to the adoption of IFRS 16 Leases, as a result of which depreciation of property, plant and equipment rose by EUR 16.5 million. There was also higher investment in operating and office equipment in the reporting period, which led to a slight year-on-year increase in depreciation on property, plant and equipment. Amortization of intangible assets was up by EUR 1.1 million year-on-year at EUR 34.3 million. This is mainly due to higher amortization of intangible assets from company acquisitions and their first-time consolidation in the CGM Group. In addition, amortization of intangible assets includes impairment on goodwill of EUR 1.3 million (previous year: EUR 2.9 million).

Financial income was at virtually the same level as the previous year at EUR 2.1 million (EUR 2.0 million). Financial expenses decreased from EUR 10.8 million in 2018 to EUR 7.8 million in financial year 2019, thanks partially to significantly lower currency losses in the current year. Despite rising net debt, interest expenses for liabilities to banks fell by EUR 2.8 million from EUR 7.1 million in financial year 2018 to EUR 4.3 million in the reporting period as a result of the favorable development in interest rates. Further financial expenses mainly resulted from non-cash items such as changes in the value of purchase price liabilities. For further information on financial income and expenses, please refer to note 72 in the notes to the consolidated financial statements.

The effective Group tax rate was 39 % in financial year 2019, up from 28 % in the previous year. The increase in the effective Group tax rate largely stems from tax adjustments for prior-year periods due to external audits and higher losses at companies with no relief in the form of deferred tax assets on account of their history of tax losses. Consolidated net income for the reporting year amounts to EUR 66.2 million in 2019 as against EUR 96.3 million in 2018. On a pro forma basis, the consolidated net income for the period amounts to EUR 86.2 million in the reporting year as against EUR 92.6 million in 2018.

DEVELOPMENT OF BUSINESS SEGMENT RESULTS

CompuGroup Medical SE changed its segment reporting in financial year 2019. The following section refers to the segment structure that was in place until the end of 2019. An overview of business development in 2019 based on the segment structure in place from January 2020 can be found in section F. "Segment reporting" in the notes to the consolidated financial statements.

Ambulatory Information Systems (AIS)

EUR million	2019	2018	Change
Sales revenues with third parties	461.4	461.9	–0 %
of which from company acquisitions	30.7	4.6	
Share of recurring revenue*	69.0 %	60.0 %	
EBITDA	158.4	158.7	–0 %
in % of sales revenues	34.3%	34,4 %	

+ Software business with physicians, dentists and medical laboratories generated sales revenues of EUR 461.4 million in 2019, slightly lower than the previous year's level and in line with the adjusted guidance.
+ Acquisitions, including GIS and Qualizorg among others, contributed EUR 30.7 million to sales revenues in the year as a whole (previous year: EUR 4.6 million).
+ Owing to the strong telematics infrastructure sales revenues in the previous year, sales revenues are down 7 % organically (*) in 2019. Organic revenue growth amounts to 5 % not including the telematics infrastructure. This growth is predominantly due to the good performance in German and Dutch software business, which also benefited from customers' migration to Windows 10, and strong laboratory business in the US.
+ Recurring revenues (*) rose by 14 % to EUR 317.1 million in 2019, primarily as a result of growth in TI services.

Pharmacy Information Systems (PCS)

EUR million	2019	2018	Change
Sales revenues with third parties	119.8	113.4	6 %
of which from company acquisitions	0.7	0.5	
Share of recurring revenue	60.0%	61.0%	
EBITDA	36.0	33.5	7 %
in % of sales revenues	30,0 %	29.6%	

+ Pharmacy software business continued its good growth in financial year 2019, with sales revenues climbing by 6 % year-on-year to EUR 119.8 million. Acquisitions made only marginal contributions to revenue growth.
+ Organic growth (*) amounted to 5 % for the year as a whole. This growth is above all thanks to business replacing Windows 7 and the sale of hardware, such as routers, in Italy.
+ Recurring revenues (*) rose by 5 % to EUR 72.0 million in 2019.

Hospital Information Systems (HIS)

EUR million	2019	2018	Change
Sales revenues with third parties	116.3	101.3	15 %
of which from company acquisitions	1.3	0.6	
Share of recurring revenue	57.0%	60.0%	
EBITDA	14.7	11.6	27 %
in % of sales revenues	12.6%	11.5%	

+ Revenue growth in Hospital Information Systems amounts to 15 % in 2019 with only minor consolidation effects.
+ The organic revenue growth (*) of 16 % in 2019 is primarily as a result of the major order from Niederösterreichische Landeskliniken-Holding (NÖLKH) in the second quarter. In addition, revenue growth was boosted by a positive performance in the social sector, at Aescudata, and by the first TI installations.
+ Recurring revenues (*) increased by 8 % to EUR 65.9 million in 2019.

Health Communication Services (HCS)

EUR million	2019	2018	Change
Sales revenues with third parties	48.2	40.4	19 %
of which from company acquisitions	1.9	1.1	
Share of recurring revenue	12.0 %	13.0 %	
EBITDA	16.6	13.5	23 %
in % of sales revenues	34,4 %	33.3 %	

+ Sales revenues in the HCS segment increased by 19 % for the year as a whole.
+ Organic growth (*) amounted to 18 % for the year as a whole, predominantly thanks to a good order situation with pharmaceutical companies and new agreements with health insurance funds in the area of primary care.
+ Recurring revenues (*) increased by 9 % to EUR 5.8 million in 2019.
+ Acquisitions contributed EUR 1.9 million to revenue growth in 2019.

Other business activities and consolidation

EUR million	2019	2018	Change
Sales revenues with third parties	0.1	0.1	0 %
EBITDA	–47.5	–29.4	

Consolidated statement of financial position

Total assets increased by EUR 217.6 million as at the previous year's reporting date to EUR 1,065.9 million. Intangible assets represent the largest asset item in terms of value, and amount to EUR 668.3 million as at December 31, 2019, as against EUR 536.5 million as at December 31, 2018. They account for 62.7 % (previous year: 63.2 %) of total assets as at the reporting date. Intangible assets essentially include hidden reserves from company acquisitions disclosed in the context of purchase price allocation. These disclosed intangible assets mainly relate to customer relationships, order backlogs, software, trademarks and goodwill.

Property, plant and equipment increased by EUR 4.4 million as against the previous year to EUR 88.1 million. This is essentially due to higher investment in hardware for data centers and workstations. Right-of-use assets of EUR 40.9 million were recognized as at January 1, 2019 as a transition effect of the adoption of IFRS 16 in line with the modified retrospective method. Right-of-use assets amounted to EUR 43.2 million as at December 31, 2019.

Within current assets, inventories increased from EUR 19.6 million on December 31, 2018 to EUR 27.5 million as at December 31, 2019. This essentially results from higher inventories for the rollout of the telematics infrastructure and the Windows update. Income tax receivables increased by EUR 10.3 million to EUR 19.2 million in the reporting period, primarily as a result of excess income tax prepayments by CompuGroup Medical SE as the parent company of the German tax group. Cash and cash equivalents amounted to EUR 46.4 million as at December 31, 2019 (previous year: EUR 25.3 million). The increase is largely due to the acquisition of the cash and cash equivalents of the Epsilog Group in the amount of EUR 9.0 million and higher levels of cash and cash equivalents in Austria, the Netherlands and the US. All other assets were subject to only minor changes in financial year 2019.

Including the reported consolidated net income of EUR 66.2 million for the time period of January 1 to December 31, 2019 and the dividend payment by CGM SE of EUR -24.4 million, the purchase of treasury shares in the amount of EUR -41.1 million, the payment of dividends to non-controlling interests of EUR -1.4 million and other changes due to stock options and the acquisition of non-controlling interests of EUR 0.1 million in total, consolidated equity declined from EUR 263.8 million as at December 31, 2018 to EUR 259.9 million as at December 31, 2019. Furthermore, in the financial year 2019, equity was reduced by EUR 3.3 million in total due to changes in exchange rates and interest rate changes (actuarial losses). The equity ratio declined from 31.1 % as at December 31, 2018 to 24.4 % as at December 31, 2019.

In the reporting period, current and non-current liabilities increased from EUR 584.2 million as at December 31, 2018 to EUR 805.9 million as at December 31, 2019. Significant individual changes are the increase in liabilities to banks of EUR 141.2 million, the increase in lease liabilities in conjunction with the adoption of IFRS 16 of EUR 43.2 million and changes in deferred tax liabilities of EUR 27.1 million.

Overall, the financial performance of the Group can still be considered solid, even though the equity ratio is lower – partly on account of the share buyback program – and the debt ratio is higher than in the previous year as a result of increased investments in research and development and company acquisitions.

Cash flow
Operating cash flow amounted to EUR 110.5 million in financial year 2019 as against EUR 136.3 million in the previous year. The changes as against 2018 relate to the following items in particular:

Adjusted for non-cash income/expenditures and cash taxes, the gross operating cash flow in the reporting period before changes in working capital decreased from EUR 151.6 million in the previous year to EUR 134.6 million in 2019. This drop mainly relates to the lower consolidated net income for the period in 2019, which was squeezed by the non-recurring effects of M&A costs and stock options described above, and the change in provisions (including income tax liabilities).

The changes in working capital led to a reduction in operating cash flow of EUR -24 million compared to EUR -15.3 million in 2018. This results mainly from changes in trade receivables, income tax receivables, trade payables and other accounts payables.

The pro forma operating cash flow amounted to EUR 136.6 million in the reporting period (previous year: EUR 136.3 million).

The cash flow from investing activities was EUR -139.4 million in 2019 as against EUR -47.5 million in the same period of the previous year. This change was mainly caused by higher payments for company acquisitions in 2019 than in 2018.

Cash flow from financing activities amounted to EUR 49.7 million in the financial year 2019 (previous year: EUR -93.4 million). It essentially consisted of a dividend distribution of EUR -24.4 million, the buyback of own shares of EUR -41.1 million and a net cash inflow from the borrowing and repayment of loans and finance leases of EUR 117.9 million.

Principles and objectives of financial management
CGM strives to keep its cash and cash equivalents as low as possible, both at Group level and at its operating subsidiaries. In key European countries where CGM has its own subsidiaries, the Company uses an international cash pooling system to manage its bank accounts. Cash pooling optimizes and utilizes surplus liquidity at Group companies, reduces liabilities to banks and increases overall liquidity. The key principle of the cash pooling approach is the management of the top bank account at CompuGroup Medical SE (pool leader), the parent entity of the Group. This company also usually holds all material liabilities to banks, including the flexible revolving loans and short-term credit lines used for the Group's day-to-day liquidity management.

CompuGroup Medical SE's liabilities to banks are usually denominated in EURO with variable interest rates. Given the Group's international focus, incoming and outgoing payments are performed in various currencies. The Company generally strives to achieve natural hedging through its choice of suppliers and locations. The Company does not use any derivative financial instruments to hedge its foreign currency exposure at this time. The development of relevant positions is regularly monitored to ensure an appropriate response to significant changes.

CGM's dividend policy is geared towards ensuring that future dividends are linked to long-term, sustainable profits. CGM's objective is to gradually and steadily increase its annual dividend or to keep it at least constant. The dividends reported and approved by the shareholders are distributed each year in conjunction with the Annual General Meeting usually held in May.

Capital structure
Company acquisitions were financed via debt and self-generated cash flows. In terms of equity, the Company's goal is to prevent the equity ratio from falling below 25 % for extended periods through the corresponding management of consolidated profits, dividends and share buybacks.

The Group's gross debt amounted to EUR 449.6 million on December 31, 2019. The Group held cash of EUR 46.4 million. For further information on liabilities to banks and the structure of debt, please refer to notes disclosure 56. a) Liabilities to banks.

The syndicated loan agreed by CompuGroup Medical SE with a syndicate of eight banks in June 2018, which comprises a revolving credit of EUR 400 million with a term of five years, was utilized in full as at December 31, 2019. Interest rate hedging has not been entered into for this syndicated loan facility as at the reporting date. The loans have been granted subject to compliance with a financial covenant (leverage). Various German subsidiaries have issued joint and several payment guarantees for this syndicated loan (default liability for non-payment by CompuGroup Medical SE).

Investments

EUR million	2019	2018
Company acquisitions	94.9	4.8
Purchase of non-controlling interest and previous company acquisitions	1.8	3.6
Capitalized inhouse Services and other intangible assets	29.1	27.1
Property and buildings	1.1	1.3
Office and business equipment	13.0	10.9
Disposal of subsidiaries and business areas	–0.5	0.2
Total	139.4	47.5

Liquidity
The Group has solid liquidity thanks to its strong and stable operating cash flow. Also, only moderate investments are needed to stimulate organic growth and maintain business activities. The free cash flow for financial year 2019 amounted to EUR 67.2 million (pro forma: EUR 93.3 million). It is defined as the cash flow from operating activities less the cash flow from investing activities (not including proceeds from and payments for company acquisitions and joint ventures, the disposal of subsidiaries and business areas, the acquisition of non-controlling interests and the settlement of purchase price claims from company acquisitions in prior periods).

Furthermore, a significant share of recurring revenue is based on prepayments, which significantly reduces working capital at the beginning of the annual, quarterly and monthly payment periods. The Company is increasingly using direct debit for such recurring revenue payments in order to continuously improve the security and speed of incoming payments. To date, the Group has always been able to properly satisfy its payment obligations as planned. The Company assumes that no liquidity problems will arise in the future, and that payment obligations entered into will always be satisfied.

Given its good liquidity profile, the Group strives to hold as little cash as possible. On December 31, 2019, the Group held a revolving credit facility of EUR 400 million and other short-term credit lines of EUR 70.9 million to absorb normal seasonal fluctuations in liquidity. The revolving credit facility and the short-term credit lines are used in conjunction with cash pooling instruments to adequately serve the Group's liquidity requirements. CGM has short-term credit lines not yet exhausted of EUR 50.8 million as at December 31, 2019.

CGM has agreed financial covenants for all its existing credit facilities. If the event of a violation of these contractual financial covenants, the loans can be called due immediately by the banks in question. This represents a liquidity and refinancing risk that is explained in more detail in the risk report in the combined management report. The Company has always complied with the financial covenants of its credit agreements and has always been able to refinance its loans in due time.

Employees
The CGM Group employed 5,627 people worldwide as at the end of financial year 2019, 13.6 % more than in the year (4,955).

Employees	2019	2018	2017
Headcount	5,627	4,955	4,572
of which from acquisitions as at the acquisition date	426	48	71
Full-time equivalents	4,501	3,951	3,744

In Germany alone, which is currently CGM's biggest market in terms of sales revenues, the Group had 2,775 employees in total in financial year 2019, representing 49 %t of total headcount worldwide.

Corporate social responsibility reporting
CGM's report on non-financial and diversity information (corporate social responsibility) is published separately on the Company's website http://www.cgm.com. The CSR report is produced in accordance with the EU Directive 2014/95/EU and its application in German law.

ANNUAL FINANCIAL STATEMENTS OF COMPUGROUP MEDICAL SE

Results of operations and financial position of CompuGroup Medical SE

The figures shown are based on the annual financial statements of CompuGroup Medical SE prepared in accordance with the German Commercial Code.

EUR million	2019	2018
Net income from equity investments	88.5	118.2
Operating income	−60,4	−18,5
(+)/(-) Write-downs and reversals of write-downs on financial assets	16.4	−26,5
Net interest income	−3,9	−3,2
Income taxes	−3,4	−22,1
Earnings after income taxes	37.2	47.9
Other taxes	−0,4	−0,2
Annual result	36.8	47.7

As a holding company, the Company's results of operations are largely dependent on the performance of its operating subsidiaries. Net investment income comprises income from profit transfer agreements and income from equity investments. Net investment income decreased by EUR 29.7 million compared to the previous year to EUR 88.5 million.

Total equity investment income breaks down as follows:

EUR million	2019	2018
CompuGroup Medical Deutschland AG	56.5	65.0
Lauer-Fischer GmbH	11.4	12.7
CompuGroup Medical Dentalsysteme GmbH	0.0	20.5
Ifap Service Institut für Ärzte und Apotheker GmbH	6.1	4.1
CGM Clinical Deutschland GmbH	0.9	1.2
Net income from profit transfer agreements	74.9	103.5
Income from equity investments	13.6	14.7
Net income from equity investments	88.5	118.2

There are two main reasons for the reduction in income from equity investments:

+ the discontinuation of the profit transfer agreement with CompuGroup Medical Dentalsysteme GmbH as a result of its contribution into CGM LAB International GmbH in 2019, plus the new profit transfer agreement between CompuGroup Medical Dentalsysteme GmbH and CGM LAB International GmbH (as shareholder of CGM LAB International GmbH, CompuGroup Medical SE will be able to control investment income through profit distributions in the future).
+ the lower income from CGM Deutschland AG, which is primarily due to the decline in the business volume of the telematics rollout

There were also the following developments in the net income from equity investments:

At EUR -1.3 million, the operating result of Lauer-Fischer GmbH for 2019 is slightly lower than the previous year's level on account of a contract adjustment regarding intragroup transfer pricing rates.

The result of ifap GmbH improved by EUR 2.0 million. In particular, the higher profit transfer by CGM Mobile GmbH of EUR 3.2 million plays a key role in this.

CGM Clinical Deutschland GmbH's performance for 2019 was slightly below that of the same period of the previous year.

The income from equity investments includes dividend distributions by the subsidiaries Profdoc AS in the amount of EUR 7.7 million, CompuGroup Medical CEE GmbH in the amount of EUR 4.0 million and CompuGroup Medical Ceská republika s.r.o. in the amount of EUR 1.9 million.

The decline in net income from equity investments of EUR 41.9 million to EUR -60.4 million in the reporting period essentially results from high non-recurring expenses for abandoned M&A projects (EUR 16.1 million) and the cash settlement of stock options for a member of the Management Board who resigned in 2019 (EUR 17.0 million).

Write-downs on loans of CGM LAB International GmbH assigned to financial assets of EUR 17.8 million were reversed in financial year 2019. In addition, an impairment of EUR 1.4 million was recognized on the loans to the Spanish subsidiary Medigest Consultores SL.

Net interest income in the reporting year was as follows:

EUR million	2019	2018
Interest income from non-current loans	1.3	5.3
Other interest and similar income	4.1	3.5
Interest and similar expenses	–9,3	–12,0
Net interest income	–3,9	–3,2

Income from non-current loans decreased by EUR 4.0 million year-on-year in the 2019 calendar year. Other interest and similar income increased by EUR 0.6 million to EUR 4.1 million due to higher receivables from associated companies in the financial year. Interest and similar expenses decreased by EUR 2.7 million as against the previous year. The main reason for the change in interest and similar expenses is the previous year's one-time transaction costs of EUR 1.4 million for the new syndicated loan borrowed in June 2018.

Income taxes amount to EUR 3.4 million for the reporting period (previous year: EUR 22.1 million), corresponding to a tax rate of around 8.4 %.

Net assets of CompuGroup Medical SE
At approximately 61 %(previous year: around 66 %), financial assets are the most significant asset item, which is consistent with the holding function of the Company. Intangible assets almost exclusively comprise capitalized costs in connection with the Group-wide "OneGroup" SAP implementation project.

The book value of financial assets increased by EUR 122 million as against the previous year to EUR 645 million. In particular, this is as a result of the acquisition of MB Invest SAS, Castries, France, whose wholly owned subsidiary "EPSILOG SAS" distributes the "VEGA" information system on the French market for outpatient care and physiotherapy. Also, there was a further increase as a result of the reversals of write-downs on loans of EUR +17.8 million, impairment on loans of EUR -1.4 million and the change in non-current loans to associated companies of EUR +26.6 million. The increase in loans to associated companies essentially results from loans granted to CompuGroup Medical, Inc. (EUR 4.2 million), CompuGroup Medical Mobile GmbH (EUR 5.3 million), CompuGroup Medical Italia Holding S.r.l. (EUR 3.8 million) and CompuGroup Medical Holding Coöperatief U.A. (EUR 10.2 million). Furthermore, several Group companies borrowed or repaid smaller loans in the financial year.

The equity ratio was down year-on-year at 16.9 %t in the reporting period (previous year: 26.1 %).

This change is due in particular to the share buyback program carried out in financial year 2019. The combined buybacks carried out in the financial year, which reduced subscribed capital and capital reserves accordingly, amounted to EUR 41,001,296.45 in total in the reporting year. As at December 31, 2019, the Company holds 4,806,709 treasury shares, which are deducted from equity at their notional value (nominal value per share: EUR 1.00). Equity was also reduced by the distribution of a dividend of EUR 24.4 million, which was offset by an increase of EUR 36.8 million resulting from the net income for financial year 2019.

CompuGroup Medical SE had liabilities to banks of EUR 442.6 million as at December 31, 2019. The revolving credit facility of EUR 400.0 million agreed in 2018 was utilized in full as at the reporting date December 31, 2019. The renewal option was also exercised for this syndicated credit facility, whereby its term was extended by one year from the original five years (June 2023 to June 2024).

In addition to the syndicated loan, there is also an innovation loan from IKB and other credit lines amounting to EUR 42.6 million (previous year: EUR 26.0 million).

Please refer to the comments on interest and similar expenses under "Results of operations and financial position of CompuGroup Medical SE" for more information on liabilities to banks.

Supplementary report

Acquisition of H&S Qualità nel Software S.p.A., Italy

CompuGroup Medical acquired 100 % of the shares in H&S Qualità nel Software SpA, Piacenza, Italy, in January. H&S specializes in telemedicine, patient telemonitoring and ambient assisted living (AAL) for older people. It also provides turnkey solutions for private and public providers for the performance of health and care services while optimizing processes and costs. Furthermore, the company offers customized projects and manages information systems for key Italian home care services as a trusted third party. Owing to the terms of the purchase agreement, financial information was not yet available at the time the accounts were prepared, hence the measurement of the company acquisition of H&S Qualità nel Software SpA was not possible as at the time the consolidated financial statements were prepared. H&S Qualità nel Software SpA will be included in consolidation for the first time as at January 1, 2020. Provisional sales revenues amounted to around EUR 3 million in 2019 with EBITDA of around EUR 0.7 million. Past financial data are not available as the company implemented a carve-out of its non-healthcare activities prior to the acquisition.

Acquisition of part of the IT healthcare portfolio of Cerner Corporation

In February, CompuGroup Medical announced that a purchase agreement had been signed for part of Cerner's IT healthcare portfolio in Germany and Spain. The main products of the portfolio acquired are medico and Soarian Integrated Care, leading hospital information systems in Germany, Selene, a leading hospital information system in Spain, and Soarian Health Archive, an archive solution for healthcare facilities. The purchase price is EUR 225 million and is subject to an adjustment mechanism as at the closing date. The acquired business areas' sales revenues amounted to approximately EUR 74 million in 2019 with EBITDA of approximately EUR 13 million. The transaction is expected to be closed in the third quarter of 2020 and is subject to merger approval and further closing conditions.

Change of legal form of CGM SE

Also in February, the Management Board and Supervisory Board of CGM resolved to propose a change in legal form to that of a Kommanditgesellschaft auf Aktien (KGaA – partnership limited by shares) at the Annual General Meeting on May 13, 2020. It is intended that the general partner of the partnership will be a monistic European stock corporation (SE) to be wholly owned, directly or indirectly, by the Company's founder Frank Gotthardt plus other members of the Gotthardt family and Dr. Reinhard Koop (collectively the majority shareholders of CGM). It is intended that the change in legal form should allow the Company the greatest possible flexibility regarding the financing of its future growth and, at the same time, to retain an anchor shareholder (the founding Gotthardt family) to uphold the business vision and founding spirit.

Change in the composition of the Management Board

On February 12, 2020, the Supervisory Board of CompuGroup Medical SE resolved to appoint Dr. Dirk Wössner as Frank Gotthardt's successor as a member of the Management Board and CEO of the Company. Subject to fulfillment of the statutory requirements, it is intended that Frank Gotthardt will move to the Company's Supervisory Board where he will become its Chairman. Dr. Dirk Wössner is currently a member of the Management Board of Deutsche Telekom AG and the Chairman of Telekom Deutschland GmbH, where he has been in charge of business in Germany since January 1, 2018. He was appointed as a member of the Management Board and CEO of the Company effective from the end of his current contract, which – subject to early termination – runs until December 31, 2020. If the Annual General Meeting of the Company in May 2020 approves the resolutions proposed by the Management Board and Supervisory Board to transform the Company into an SE & Co. KGaA, following its transformation, the management of the Company will be in the hands of the Board of Directors and the Managing Directors of the general partner SE of the Company. In such event, Dr. Dirk Wössner will become the Chairman of Managing Directors and a member of the Board of Directors of the general partner. Frank Gotthardt would then be the Chairman of the Board of Directors.

New syndicated loan

In February 2020, to secure future liquidity, CGM agreed a new credit facility of EUR 1,000 million with a term of at least five years. This consists of a revolving credit facility of EUR 600,000 thousand and a bullet loan of EUR 400,000 thousand. The new facility replacing existing accounts payable and financing for general business purposes and acquisitions. The syndicate of banks includes BNP Paribas, Commerzbank, Deutsche Bank, Landesbank Baden Württemberg, SEB and Unicredit.

The loans have been granted subject to compliance with a financial covenant (leverage). Various German Group companies have issued joint and several payment guarantees for this credit agreement (default liability for non-payment by CompuGroup Medical SE).

Guidance for CGM Group

In its outlook for 2020 published in October 2019, the International Monetary Fund (IMF) assumes real economic growth of 2.1 % in the US and 1.6 % in Europe. In Germany, the IMF is forecasting accelerated growth to 1.2 percentage points in 2020 after an increase of 0.5 percentage points in the previous year.

According to an analysis by Markets and Markets from April 2019, the IT healthcare market is expected to grow from USD 188 billion in 2019 to USD 391 billion by 2024, driven by the rising quantity of patient data, the ongoing development in technological expertise and the demand for fast and efficient healthcare processes and systems.

Group
Sales revenues between EUR 765 million and EUR 815 million are expected for 2020, corresponding to an organic growth rate of 0 to 6 %. Recurring revenue should account for more than 60 % of total sales revenues.
+ Adjusted EBITDA is projected at between EUR 195 million and EUR 215 million.
+ Adjusted earnings per share are expected to be between EUR 1.70 and EUR 1.95.
+ Capex is anticipated in a range between EUR 70 million and EUR 80 million.
+ Adjusted free cash flow (cash flow from operating activities including interest less capex) should be above EUR 80 million.

Segments
The following developments are expected for financial year 2020 in the reporting segments under the new structure introduced in the fourth quarter of 2019 (see page 18 for reference):
+ Sales revenues in AIS are projected in a range between EUR 453 million and EUR 485 million. This includes approximately EUR 15 million from the acquisition of Epsilog in France. Sales revenues for TI business will be below the high level of 2019.
+ The PCS segment is expected to generate sales revenues of between EUR 124 million and EUR 134 million. Sales revenues for the TI rollout are expected to be in the low double-digit million range.
+ The HIS segment is projected to generate sales revenues of between EUR 142 million and EUR 148 million, including a low single-digit million Euro amount from the acquisition of H&S Qualita and the TI rollout.
+ The new CHS segment is expected to achieve sales revenues in a range between EUR 46 million and EUR 48 million in 2020.

The above guidance for the current financial year was prepared in January 2020, and does not take into account any effects from acquisitions not yet completed or potential transactions in the course of financial year 2020. The guidance 2020 represents the management's best estimate of future market conditions and the development of CompuGroup Medical's business segments in the environment and may be influenced in particular by delays in the implementation of the Telematics Infrastructure for which the company is not responsible.

CompuGroup Medical SE will report adjusted key figures for operating income (EBITDA) and earnings per share from financial year 2020 onwards. These key figures are not defined under the International Financial Reporting Standards (IFRS) and should be regarded as supplementary information. The adjusted EBITDA and adjusted earnings per share do not include effects from the acquisition and disposal of subsidiaries, business units and investments (including effects from the subsequent measurement of contingent purchase price liabilities), depreciation, amortization and write-ups on investments, effects from the acquisition, construction and disposal of real estate, impairment losses and write-ups on owner-occupied real estate, expenses in connection with share-based compensation programs for management, taxes attributable to the above effects and other non-operating or non-periodic one-off effects.

Guidance for CompuGroup Medical SE
Net income from equity investments is expected to develop positively in line with the Group's planned growth. Net interest result is expected to be higher than in 2019 as a result of the Group's acquisitions. The Company is therefore guiding the annual result within a range between EUR 45 million and EUR 55 million for its HGB single-entity financial statements for 2020. The above guidance for the current financial year was produced in January 2020, and does not take into account any effects from company acquisitions not yet completed or potential transactions in the course of financial year 2020. The guidance for 2020 is a management estimate of future market conditions and the development of the business segments of CompuGroup Medical SE in this environment. In particular, it can be influenced by delays in the implementation of the telematics infrastructure beyond the Company's control.

Risk Report
As an international company, CompuGroup Medical is subject to a variety of different risks. CompuGroup Medical is aware of the need to take risks, which also allows the Company to seize opportunities.

The risk management system of CompuGroup Medical is implemented at the individual companies, the business areas and at Group level. 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 for relevant performance indicators. CGM created an Internal Audit department in financial year 2014, which is responsible for reviewing the adequacy, effectiveness and efficiency of risk management. Within the framework of corporate governance, the internal control system also contributes to the risk management system.

The risk reporting system encompasses the systematic identification, quantification, documentation and communication of risks. Corresponding principles, processes, and responsibilities within risk management are documented in a Group-wide policy. New and relevant information is taken into account in the ongoing development of our policies and systems for the continuous improvement of the risk management system. Management is expected to be able to identify risks that endanger CGM's growth or its continued existence as a going concern early on, and to minimize their impact as far as possible.

Consciously taking predictable risks as part of our risk strategy is an unavoidable aspect of doing business. Risks that endanger Group as a going concern must not be taken and must be precluded by risk management. If this is not possible, such critical risks must be minimized or transferred, for example by taking out suitable insurance. Risks are controlled and monitored at the level of the individual companies, the business areas and at Group level.

We understand risks as potential future developments or events that could lead to a negative impact on the financial figures overall and CGM's earnings guidance in particular. The risks identified are essentially assessed for CGM's one-year guidance horizon.

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

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

We assess the identified risks in a two-stage process based on their probability of occurrence and potential loss. The gross loss is initially estimated by means of triangular distribution by the risk managers at the local companies. Risk managers also document measures for risk avoidance and minimization in addition to options for transferring risk. Risk identification and risk assessment are supported by the management of the respective company or business area. The risks surveyed at local level are then analyzed by Risk Management. After completing its analysis of the identified, reported and quantified risks, Risk Management performs risk aggregation and produces an overall assessment. The methods of analysis used to aggregate and analyze risks were expanded at the beginning of the financial year 2019, and the newly designed Monte Carlo simulation allows more detailed descriptions of the various risks. When applied for the first time, the additional data points on the basis of triangular distribution, the possibility of risks occurring multiple times and the introduction of correlations resulted in generally higher expected values with a lower value at risk.

The loss value per risk class, risk category and for the Group's overall risk situation produced from this risk aggregation using a Monte Carlo simulation is taken as the expected annual loss (on risk occurrence). The value-at-risk method provides information on the potential maximum annual loss for each risk class, each risk category and the Group's overall risk situation.

Subsequent risk reporting is produced directly for the Chief Financial Officer of CompuGroup Medical SE, who informs the Management Board as a whole and the Supervisory Board of the Group's risk situation. The CFO is informed without delay of material unforeseen changes, and in turn he must inform the Management Board as a whole and the Supervisory Board of such material unforeseen developments. The coordination of the whole process and the analysis of the inventoried risks is the responsibility of Group Risk Management. A quarterly risk report is submitted to the Management Board by the risk manager in charge (Group Risk Management).

The risks for the Group's ten risk areas were communicated to the Management Board for the period from January 1, 2019 to December 31, 2019. The Group's risk areas are ranked as follows according to the severity of the risks reported:

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

The numbers in parenthesis show the ranking of the risk areas in 2018 for comparison. The ranking of our risk categories changed in the reporting period as a result of the reassessment of potential risk areas and individual risks. Overall, there was an increase in the reported potential maximum annual loss across all risk areas in the risk inventory for financial year 2019. In terms of the expected potential annual loss, the risk inventory for financial year 2019 resulted in a moderate decline on the prior-year period. In particular, the reassessment of potential risk areas and individual risks in the risk inventory resulted in higher risk assessments due to changing market and general conditions in relation to individual risks in the risk areas of operational risks, data processing risks, regulatory risks, strategic risks and macroeconomic and political risks.

The risk areas apply to all operating segments. They do not differ from segment to segment and the Group does not report them differently. All segments essentially operate in the same general economic environment and on the same markets (exclusively in healthcare), and the nature of their products and services are also fundamentally the same (software and related services).

The risk reporting process is supported by an intranet-based database that ensures transparent communication throughout the Group. In addition, Internal Audit assessed the quality and functionality of our risk management system in financial year 2019.

Operational risks

In particular, these are risks associated with research and development, markets and customers. The expected potential annual loss for all operational risks identified in the analysis is approximately EUR 18 million (previous year: EUR 6 million). The potential annual maximum loss for this category within a confidence interval of 95 % amounts to approximately EUR 27 million (previous year: EUR 26 million), with a 5 % probability of higher, unexpected losses.

Research and development

There is a risk that products and modules will not be created with the necessary quality within the time and budget allotted. To avoid this risk, the Group conducts systematic and regular reviews of project progress and compares the results against the original targets. In the event of any deviations, measures can then be taken to compensate for impending losses. Given the broad range of our research and development activities, there is no discernible risk concentration on any specific products, patents or licenses.

Market and customer risks

Given the complexity of our products and the considerable legal requirements, distribution by sales and service partners entails certain risks. Special training is offered to ensure that quality requirements are also complied with by sales and service partners. The selection of the sales and service partners is subject to strict requirements.

The eHealth market is characterized by competition and advancing market maturity. This competitive situation can lead to price pressure for our products and services, and to rising expenses to ensure customer loyalty and appeal. In the current financial year, as in the past financial year, CGM expects a consistently good business performance with manageable risks that could affect the results of operations.

Macroeconomic and political risks

In particular, these are risks arising from political changes and the effect of general economic developments. The expected potential annual loss for all risks in this category identified in the analysis is approximately EUR 9 million (previous year: EUR 2 million). The potential annual maximum loss for this category within a confidence interval of 95 % amounts to approximately EUR 17 million (previous year: EUR 6 million), with a 5 % probability of higher, unexpected losses.

The products and services offered by CGM are currently marketed in 56 countries. Both the development of business relations in these countries and business activities per se entail the usual risks for international business. In particular, these are generally defined by the prevalent economic or political situation of the individual countries, the convergence of different tax systems, legal import and export restrictions, competition regulations and laws on the use of the Internet or guidelines on the development and provision of software products and services.

CGM counteracts these risks by regularly consulting with local law firms and tax advisors in countries where it is entering the market or adding additional business activities and by maintaining contact with local public authorities. Risks that can arise from changes in general economic factors can never be ruled out entirely.

While the user agreements with customers contractually prohibit the misuse of the source code or other business secrets, there is a residual risk that source codes or business secrets could come into the possession of third parties and that they may benefit from them unlawfully. It is also conceivable that this would enable third parties to independently develop similar or better products based on CGM's protected technologies or designs. The risk can never be completely ruled out.

In the financial year, CGM founded a company in the United Kingdom that does not yet have any business activities. As a result, CGM does not yet anticipate any significant impact as a result of the United Kingdom leaving the EU (known as "Brexit").

The outbreak and spread of the corona virus has cast a shadow over the global economy as at the time of preparing this annual report. Real consequences for the financial position and financial performance of the CGM Group are not currently foreseeable, but cannot be ruled out in the event of a sustained economic downturn. Internally, CGM has taken precautions to protect its employees and business processes in order to handle the situation appropriately.

Strategic risks
CGM understands strategic risks as risks that can endanger the achievement of a target as a result of an inadequate orientation of business in line with the respective business environment. The expected potential annual loss for all strategic risks identified in the analysis is approximately EUR 9 million (previous year: EUR 4 million). The potential annual maximum loss for this category within a confidence interval of 95 % amounts to approximately EUR 20 million (previous year: EUR 22 million), with a 5 % probability of higher, unexpected losses.

Strategic risks can result from an inadequate strategic decision-making process, from unforeseeable market developments or from a poor implementation of the chosen corporate strategy. For CGM, the strategic orientation of the Group is determined at Board level and undergoes regular review.

+ Risks associated with changes on the healthcare market are highly significant to the CGM Group. This mainly concerns the development of new products and services by competitors, the financing of healthcare systems and reimbursement in the healthcare sector.

+ The eHealth 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 becoming less competitive.

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

The future success of CGM will partially depend on the ability to improve existing products and services and to link them with each other in order to respond to the launch of new products by competitors in due time, and to meet changing customer and market requirements.

Furthermore, CGM would be saddled with additional costs for product development and further development as a result of products and services quickly becoming obsolete, which could lead to adverse effects on its results.

CGM has been manufacturing connector technology itself with the assistance of subcontractors since the introduction of the telematics infrastructure. As this means that CGM is operating as a hardware producer for the first time, this can give rise to risks typical for a production company.

Regulatory risks
In particular, these are legal and political risks. The expected potential annual loss for all regulatory risks identified in the analysis is approximately EUR 6 million (previous year: EUR 2 million). The potential annual maximum loss for this category within a confidence interval of 95 % amounts to approximately EUR 12 million (previous year: EUR 12 million), with a 5 % probability of higher, unexpected losses.

Legal and political risks
CGM's business activities are strongly influenced by the regulatory environment of the public healthcare systems of the individual national markets and thus also by the market structures they define. On the one hand, 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 states and, on the other, by supra-national structures that are essentially adopted by the European Union and lifted or amended by court decisions. In particular, the Group is thus exposed to the risk that amendments to existing regulations, or the adoption of new ones, at national or supra-national level (the latter primarily meaning the EU level) could adversely affect market conditions relevant to CGM and thus have a disadvantageous impact on the business activities of the Group or its individual subsidiaries. Exact forecasts with regard to the introduction and extent of potential amendments to national and supra-national regulations or their impact on CGM's key markets are not possible as the introduction and extent of such regulations are dependent on the political process in the individual countries, and their subsequent impact is greatly influenced by the response by the respective market participants affected.

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

CGM is highly dependent on its proprietary information and technology. However, the risks of the illegal use of intellectual property cannot be eliminated in full. CGM believes that the options currently available are sufficient to protect its intellectual property in order to prevent illegal use, which could lead to significant quantitative and qualitative losses.

Personnel risks
In particular, these are risks arising from a concentration of relevant expertise on individual employees, staff turnover, excess or insufficient staff levels, a poor working environment, etc. The expected potential annual loss for all risks in this category identified in the analysis is approximately EUR 5 million (previous year: EUR 2 million). The potential annual maximum loss for this category within a confidence interval of 95 % amounts to approximately EUR 9 million (previous year: EUR 9 million), with a 5 % probability of higher, unexpected losses.

The economic success of the Group is largely dependent on the management and strategic leadership of members of the Management Board and several employees in key positions. Despite the fact that, aside from Management Board members, there are additional employees who perform management tasks, it can be safely assumed that the business activities of the Company and its financial position and financial performance would be negatively impacted by the loss of individuals in key positions.

The Group considers the performance of its employees to be essential for its growth and development. In this respect, CGM is in competition with other companies for highly qualified specialists and managers. The Group therefore offers an attractive remuneration system and individually tailored continuing professional development to attract employees and retain them in the long term. Currently, no significant risks are known that could affect the recruitment of specialists and managers, and that could thus endanger the growth targets set.

CGM considers its employees to be an integral part of the Group's public image. Non-compliance with the ethical principles firmly anchored in CGM's management culture could give rise to risks with a negative impact the Company's image and reputation. The risk of non-compliance increases temporarily when new companies are acquired.

Data processing risks
In particular, these are risks arising from a lack of coordination and alignment of IT strategy with corporate objectives, insufficient data protection in IT systems, insufficient documentation, etc. The expected potential annual loss for all risks in this category identified in the analysis is approximately EUR 5 million (previous year: EUR 2 million). The potential annual maximum loss for this category within a confidence interval of 95 % amounts to approximately EUR 16 million (previous year: EUR 8 million), with a 5 % probability of higher, unexpected losses.

CGM's customers use the products and services it offers to store, process and transmit highly confidential information on the health of their patients. Given the sensitivity of this information, security features are highly 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 properly, claims for damages, fines, penalties and other liabilities due to a violation of applicable laws or regulations could arise.

Also, substantial costs for fixing any defects and re-engineering could arise. This could also harm CGM's image as a trustworthy business partner.

To avoid security vulnerabilities, high standards are demanded of quality management for both software development and maintenance. CGM also maintains high standards for its internal information security management system, and has therefore had it audited by an independent third party and certified according to ISO/IEC 27001, the internationally recognized standard for information security management systems.

To guarantee compliance with the EU General Data Protection Regulation (GDPR), suitable technical and organizational measures have been implemented to protect personal data against unauthorized access, unlawful processing, unlawful disclosure and accidental loss or destruction.

Financial risks
In particular, these are liquidity and refinancing risks, currency risks and control risks. The expected potential annual loss for all financial risks identified in the analysis is approximately EUR 3 million (previous year: EUR 3 million). The potential annual maximum loss for this category within a confidence interval of 95 % amounts to approximately EUR 6 million (previous year: EUR 9 million), with a 5 % probability of higher, unexpected losses.

Liquidity and refinancing risks
Business models that are not exclusively financed by equity are exposed to the risk of the leveraged portion being dependent on the refinancing options available on the capital market. CGM uses credit lines provided by national and international house banks as a precaution against this risk factor.

The syndicated credit facility (volume: EUR 400 million; see the notes to the consolidated financial statements for further information) covers the Group's basic capital requirements. The syndicated credit facility consists of a revolving loan. For its additional capital requirements, the CGM Group has further credit lines at its disposal (credit lines of EUR 26.0 million) to cover the short and medium-term liquidity requirements of operating activities and the resulting expenses.

A financial covenant has been agreed for the syndicated credit facility. A breach of the financial covenant can result in the loan being called due immediately. This creates liquidity and refinancing risks. An additional short-term liquidity risk results from the risk of misjudgments in working capital planning that could mean that trade receivables and payables are not received or settled 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 utilizing the revolving credit line.

Strict working capital management, in which the methods and targets are regularly reviewed and adjusted if necessary, is also used 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 financial covenants is systematically monitored in the context of budget planning, and the results are regularly reported to both management and the banks. Please refer to the respective sections in the notes to the consolidated financial statements for further information on the financial covenants.

Essentially, CGM considers changes in interest rates to be its primary market risk. The risk management strategy therefore aims to balance out all relevant fair value and cash flow risks. The fact that most of the Company's long-term financial liabilities are entered into on the basis of floating interest rates gives rise to an interest rate risk, especially for cash flows.

Despite all the preventive measures taken, it cannot be entirely ruled out that refinancing interest rates to be paid by the Company will be subject to an unfavorable development or refinancing from leverage will not be granted in the medium term. As things stand at present, there are no indications that future refinancing or that borrowing in general are at risk. Please note that, effective February 28, 2020, CGM agreed a new credit facility of EUR 1,000 million with a term of at least five years to secure its future liquidity. This consists of a revolving credit facility of EUR 600 million and a bullet loan of EUR 400 million.

Further financial risks relate to the risk of bad debt. Given the Group's diversified markets and customer structure, there are no cluster risks. On average, the risk of bad debt is generally low in the long term thanks to the predominantly high credit rating of our customers.

Currency risks

Given the Group's international focus, incoming and outgoing payments are performed in various currencies. The Group compares and offsets its cash flows in the individual currencies. The Company generally strives to achieve extensive natural hedging through its active choice of suppliers and locations. The Company does not use any derivative financial instruments to hedge currency risks at this time. The development of the relevant positions is monitored regularly to ensure an appropriate response to significant changes.

Project risks

In particular, these are risks arising from non-compliance with agreed schedules, a lack of or inadequate employee resources, a lack of or inadequate material resources, a lack of customer acceptance of the project services performed, etc. The expected potential annual loss for all risks in this category identified in the analysis is approximately EUR 2 million (previous year: EUR 1 million). The potential annual maximum loss for this category within a confidence interval of 95 % amounts to approximately EUR 4 million (previous year: EUR 7 million), with a 5 % probability of higher, unexpected losses.

The Company generates some of its sales revenues from project business. There are long time periods between an order being placed and billed, during which the Company must render advance performance. Throughout these time periods, the Company bears the credit risk of its customers in particular. Furthermore, in project business, the Company is exposed to the risk of a continuous need for new orders/projects to be able to generate the necessary sales revenues or growth. Owing to 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 could take some time. Hence, the Company strives to establish long-term business relationships with its customers, often by performing 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 can also arise when the market is not sufficiently monitored, resulting in an inadequate bidding and order pipeline. In the event of a lack of new business and software maintenance contracts expiring, the Company could suffer lost sales revenues, which would have a negative impact on the Group's results of operations.

M&A risks
In particular, these are acquisition and integration risks. The expected potential annual loss for all M&A risks identified in the analysis is approximately EUR 2 million (previous year: EUR 1 million). The potential annual maximum loss for this category within a confidence interval of 95 % amounts to approximately EUR 7 million (previous year: EUR 5 million), with a 5 % probability of higher, unexpected losses.

Going forward, CGM plans to further expand its presence on the national and international market. These plans include further company acquisitions that the Company always prepares with utmost care and diligence. Nevertheless, every acquisition entails a certain risk that can potentially affect the Group's results.

The risks arising from the acquisition of EPSILOG SAS at the turn of the year have already been included in the operating risk categories, while the risks of the forthcoming acquisition of part of Cerner's IT healthcare portfolio in Germany and Spain in the third quarter of 2020 have only been included as an M&A risk in the reporting period pro rata.

Intangible assets purchased in acquisitions account for a significant share of the Group's assets. In accordance with the Group's mandatory accounting policies, goodwill is tested for impairment at least once per year, and other assets are tested after triggering events. If such testing determines that assets are impaired, this necessarily results in a corresponding adjustment of the book value of these assets. Various factors, such as changes in legislation or the competitive environment, can have a significant impact on the value of intangible assets. The recognition of any goodwill on intangible assets impairment can result in a corresponding reduction in net income for the period.

Tax risks
In particular, these are risks of back taxes (including for acquired businesses), the pricing of goods and services between associated companies and an imprecise legal structure as a result of inaccurate tax planning. The expected potential annual loss for all tax risks identified in the analysis is approximately EUR 1 million (previous year: EUR 1 million). The potential annual maximum loss for this category within a confidence interval of 95 % amounts to approximately EUR 4 million (previous year: EUR 6 million), with a 5 % probability of higher, unexpected losses.

The risk of further claims arising from external audits by tax authorities, for which the Company has recognized only insufficient provisions if at all, cannot be ruled out entirely. The provisions recognized by the Group for general risks from ongoing external audits are currently considered sufficient.

Risks of the use of financial instruments
The Group is exposed to risks from financial instruments. These essentially comprise default risks in connection with capitalized trade receivables and finance lease receivables. There are no material risks of price changes or liquidity risks. Furthermore, the Group does not use financial instruments to hedge its foreign currency exposure.

CompuGroup Medical SE's goal is to minimize these default risks. Measures taken by the Company to achieve this goal include the establishment of a dunning system. Furthermore, default risks are avoided by agreeing prepayments for a significant share of the contracts relevant to recurring revenue. The maximum (earnings) risk resulting from financial instruments is equal to the book value of the respective capitalized financial instrument.

Presentation of the overall risk position
Combined, the Group's total potential annual loss amounts to EUR 60 million (previous year: EUR 25 million). The potential annual maximum loss at Group level within a confidence interval of 95 % amounts to EUR 82 million (previous year: EUR 110 million), with a 5 % probability of higher, unexpected losses.

Based on an analysis of the currently identified risk positions, the continued existence of CGM SE and the Group as going concerns are not at risk. The cumulative total annual loss potentially expected could be covered by the anticipated operating cash flows of the Group.

Accounting-related internal control and risk management system (section 289(5) and section 315(2) no. 5 HGB)
In financial reporting, risks exist that the annual, consolidated and interim financial statements contain inaccuracies that could have a substantial impact on the decisions of their addressees. Our accounting-related internal control system (ICS) aims to identify possible sources of error and to minimize the underlying risks. It covers the financial reporting by the entire CGM Group. This gives us reasonable assurance that the annual and consolidated financial statements are prepared in accordance with the statutory regulations. The following disclosures on the financial reporting process are consistent with section 289(5) and section 315(2) no. 5 of the Handelsgesetzbuch (HGB – German Commercial Code). The main features of CompuGroup Medical SE's internal control system and the risk management system with regard to the (consolidated) financial reporting process are described below:

A clear management structure and corporate structure has been implemented within the CGM Group. Key regional and sector functions are controlled centrally through CompuGroup Medical SE. Operational subsidiaries have a high level of individual responsibility. A clear separation of functionalities is ensured in the areas involved in the financial reporting process, namely "Accounts Payable/Accounts Receivable Services (AR/AP Services)", "Financial Reporting", "Treasury", "Human Resources", "Internal IT", "Risk Management", "Group Controlling", "Preparation and Financial Management of the Single-Entity Financial Statements", "Consolidated Financial Statements", "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.

Accounting is predominantly organized and managed centrally by CompuGroup Medical SE. The shared service center in Koblenz is responsible for the accounting of our subsidiaries in Germany, Switzerland, France, Belgium, Sweden, Norway, Denmark, South Africa, Poland, Spain and Romania. The subsidiaries in other countries do not have a central organizational structure. The local Group companies sometimes provide accounting or other financial functions for their subsidiaries or affiliates. As the ultimate parent company of the Group, CompuGroup Medical SE exercises central oversight and general control functions in the areas of accounting and finance. These include consolidation, accounting for pension obligations, accounting for business combinations, accounting for capitalized inhouse services, accounting for leases in accordance with IFRS 16 and goodwill impairment testing. CompuGroup Medical SE also handles the administration, accounting and monitoring of financial instruments, balance sheet management for subsidiaries, payment transactions, investment and the calculations and disclosures related to the German tax group. External service providers and advisors are consulted in this respect.

Internal policies designed according to the Group's requirements have been implemented (including a Group-wide accounting policy, risk management policy and a research and development policy). The financial systems used are protected against unauthorized access by corresponding safeguards. The financial systems used are essentially standard software.

The Group uses uniform planning, reporting, control and early warning systems/processes to ensure Group-wide analysis and governance of risk factors relevant to income and risks to the Company as a going concern.

Financial reporting in particular is centrally organized and pools the Group's (global) information in one place. The subsidiaries' business unit managers/managing directors and, ultimately, the Management Board, continuously monitor reporting by Group Accounting.

CompuGroup Medical SE uses a Group-wide uniform reporting system to prepare financial statements, corporate budgets and forecasts. All consolidated subsidiaries use this system, which forms the basis for a standardized data reporting process within the Group.

The members of the Management Board of CompuGroup Medical SE issue an external statement for the year as a whole and sign the responsibility statement. Thus, they confirm that the prescribed financial reporting standards have been complied with and that the figures give a true and fair view of the financial position and financial performance. The financial reporting process is reviewed by Internal Audit.

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 quantitative and qualitative appropriateness is reviewed. To comply with the standards for the (consolidated) financial reporting processes, "Heads of Finance" with regional responsibility have been implemented throughout the Group. They report on all financial and accounting matters to the person in charge of the Group's single-entity financial statements, who in turn reports to the CFO of CompuGroup Medical SE. The CFO informs the Management Board as a whole and the Supervisory Board of critical or high-risk issues and advises them on corrective measures as necessary. Depending on the subject matter, other departments, such as "Accounts Payable/Accounts Receivable Services (AR/AP Services)", "Financial Reporting", "Treasury", "Human Resources", "Internal IT", "Risk Management", "Group Controlling", "Preparation and Financial Management of the Single-Entity Financial Statements", "Consolidated Financial Statements", "Procurement" and "Investor Relations", are involved in the financial reporting process to implement or track activities. Furthermore, complex and significant changes in underlying accounting-related topics (e.g. receivables management, impairment testing, balance sheet analysis for compliance with financial covenants, the sustainability of further acquisitions and the initial consolidation of subsidiaries) are regularly reviewed. The impact of accounting-related risks is assessed in terms of their influence on financial reporting by means of impact analysis. This also includes the analysis of the measures introduced to limit identified risks, including the effectiveness of the measures.

The Supervisory Board has established an Audit Committee for key financial reporting and risk management issues, and to monitor and control audit engagement.

The dual control principle is applied to all material financial reporting processes.

The accounting-related internal control and risk management system, for which the main features are described above, ensures that corporate accounting matters are properly detected, processed, assessed and incorporated in external financial reporting. The central function that monitors all these processes is the Group Accounting. In turn, it is monitored by the CFO and the Audit Committee.

A strict organizational, corporate, control and monitoring structure forms the basis for efficient work processes. The staffing and resources of the accounting-related areas are in accordance with the Group's requirements (both for personnel and equipment) to ensure effective and accurate work. Legal and corporate directives and guidelines ensure that a unified and proper financial reporting process is implemented within the accounting-related areas. The clear definition of responsibilities and various control and verification mechanisms ensure correct financial reporting and the reliable handling of potential business 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 healthcare system – in hospitals, at the family doctor and at health insurance companies. Patients are documented, classified and categorized according to their medical issues. Doctors also want to share detailed findings with their colleagues, always focusing on providing patients with optimal treatment on a case-by-case basis. At the same, indications and treatment options are more differentiated and therefore more complex. But "human memory" is limited, and it is becoming increasingly difficult to always have all the information available exactly when it is needed.

For over 25 years, CGM has helped its customers to reduce rising bureaucracy and paperwork and made important medical information available when and where it is needed. This gives doctors and healthcare professionals more time for what matters most: their patients. The sharing of information and the interaction between general practitioners and specialists, hospitals, pharmacies and other participants in healthcare is of paramount importance here.

Opportunities in operations

Technological leadership and innovation

CGM is well positioned to remain at the forefront of technology and innovation going forward. As an experienced pioneer, CGM is constantly developing new innovations and has extensive technical expertise. Customer loyalty and technical expertise are also strong barriers 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 implementation risks in terms of technical changes, data migration and user re-training.

G3 technology

CGM's product strategy is based on its strategic G3 R&D program. The goal of G3 is to develop a common technology for all markets and segments. The G3 architecture is based on a high degree of service-orientation and flexibility. The product is fully SaaS-compatible, can even power mobile applications and is suitable for almost any application from a single clinic use to regional and even national solutions. By implementing and delivering 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 established at medical practices in Germany. Going forward, CGM expects to increase its competitive advantages based on G3 technology.

Organizational and process improvements

"OneGroup" is the largest internal IT and organizational project in the history of CGM. Its goals are the standardization and optimization of roles, structures and processes in all our companies and business areas worldwide based on a single centralized IT platform. All other existing internal IT solutions will be migrated and gradually phased out after the successful introduction of the standardized solution. This way, CGM is creating a synthesis of all collective knowledge on the basis of defined standards and making this available centrally in the form of an IT solution. CGM will use the possibilities of information technology to organize, automate and synchronize our business processes into a global system. "OneGroup" therefore ensures that CGM addresses its markets with a unique, uniform and customized approach in the areas of marketing, sales, support, professional services and other customer-facing activities. In the background, finance, HR and other administrative functions provide key personnel with maximum transparency and therefore help them to make qualified decisions and assist front-line colleagues. Through a fully standardized IT-based organization, CGM can enhance its operational efficiency, improve profitability, grow faster and improve our customer satisfaction.

Strategic opportunities

Leading market position in ambulatory information systems

CGM is a provider of ambulatory information systems in Germany, and a leading provider in Denmark, France, Sweden, Norway, Austria, Italy and Czech Republic. Thanks to the size of its AIS business, CGM has broad and central access to a large pool of doctors in private practice, which is from significant benefit. CGM's strategically favorable position allows us to take on a lead role in other efficiency-enhancing areas of healthcare as well. A good 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 edge on this market. Also, AIS business is largely defined by long-term service and software maintenance agreements, and therefore boasts stable recurring revenue that forms a good 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 electronic health record-compliant products for online access to all existing customers in Germany. Even more importantly, the telematics infrastructure fits perfectly with CGM's strategy to provide more products and services such as e-services, online prescriptions, eLabOrder, doctor networks, online clinical pathways, hosting services, etc. to its own customers.

Consumer engagement

Consumers do many things online, because it's convenient and saves time. CGM is shaping the healthcare revolution: through CGM, doctors and patients are in direct contact with each other – whether to make an appointment, renew a prescription, have an online consultation or request findings. More and more patients want to have detailed knowledge of their medical data and manage it themselves. CGM designs solutions that allow patients to electronically merge and manage information from all doctors involved in treatment. Patients then choose the doctors to whom they wish to disclose their medical data. Confidential stays confidential – only CGM offers the highest standard of security here.

Software-assisted medicine

Our answer for more health at less cost is software-assisted medicine (SAM). SAM connects doctors, patients and payors and assists in the implementation of crucial initiatives into practice. The doctor receives information on signs of a rare disease earlier and 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. CGM has acquired and successfully integrated a large number of companies from a variety of countries and business segments in the last few years. This proves the Company's strong track record in company acquisitions.

Legal and political opportunities

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 growing treatment costs. CGM's business model can be transferred to many different international markets, particularly given its many years of experience. CGM is constantly expanding its international presence and currently has locations in 18 countries and installations in 56 countries world-wide.

Personnel opportunities

Successful and experienced management team

CGM has a strong team of managers who are considered leaders in the eHealth industry. The team is led by Chairman and CEO Frank Gotthardt who founded CGM in 1987 and has grown it into a leading global enterprise. Mr. Gotthardt is supported by a strong and experienced team of managers, including CFO Michael Rauch, the Director of Consumer and Health Management Information Systems Dr. Eckart Pech, the Director of Ambulatory & Pharmacy Information Systems Dr. Ralph Körfgen, the Director of Clinical & Social Care Hannes Reichl and the Director of Process and Efficiency Management Frank Brecher.

Attractive employer

The strong motivation, qualification and creativity of our employees are the bedrock of our success. Therefore, sound training and regular continuing professional development for each individual are crucial. In 2019, CGM employed 150 trainees in Germany in areas ranging from office assistants to IT system management to IT specialists. The majority of all apprentices in 2019 were given a job offer after graduating. CGM's employee development concept includes seminars, language courses, on-the-job training and a modular development program for future managers. A good work-life balance is key to employee satisfaction and performance – to the benefit of employees and the Company. CGM actively promotes work-life balance with a day care center at its Koblenz site. Up to 43 children per year have been cared for here by experienced educators since 2009.

Data processing opportunities

Every day, our customers are faced with new technology requirements: they must implement legal requirements such as electronic patient records or share more information with colleagues. To save costs, many healthcare practitioners outsource administrative activities, for example, to external service providers. The market environment is increasingly pushing our customers to network, though this exacerbates their data protection risk. Doctors can operate securely and responsibly with CGM. Patient data are already encrypted inside the practice and hospital – before transmission to external networks. Any personal references are removed and the data are encrypted to render unauthorized access impossible. CGM's security technologies are TÜV-certified with multiple patents.

Overall opportunities situation

CGM is excellently positioned to exploit the opportunities of modern information technology to enhance efficiency, reduce costs, optimize workflows and increase the quality of care. The healthcare market is growing – even under difficult general conditions – and CGM is one of the world's leading eHealth providers. CGM has an excellent customer base of doctors, dentists, hospitals and pharmacies all over the world, not to mention structural, long-term growth opportunities and a solid, resilient market position. eHealth is a glowing example of a market that is still in its early days yet has enormous potential.

The Group's opportunities have not changed significantly compared to the previous year in the reporting period, and are still seen as consistently positive.

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). The shares have been listed on the regulated market of the Frankfurt Stock Exchange (Prime Standard) since May 4, 2007, and are traded on the electronic securities trading system XETRA. They have been listed in the TecDAX since September 23, 2013 and in the MDAX since September 23, 2019. Considering the 4,806,709 treasury shares held by the Company, the voting capital comprises 48,412,641 ordinary shares.

Restrictions on voting rights or the transfer of shares
Restrictions of voting rights on shares can result from the provisions of the Aktiengesetz (AktG – German Stock Corporation Act). This primarily means that shareholders, under certain circumstances, can be prohibited from voting and, in accordance with section 71b AktG, the Company cannot exercise the voting rights of its treasury shares.

The shareholder group of the "Gotthardt Family/Dr. Koop" consisting of the natural persons Mr. Frank Gotthardt (Germany), Dr. Brigitte Gotthardt (Germany), Prof. Daniel Gotthardt (Germany) and Dr. Reinhard Koop (Germany), and the affiliated legal entities attributable to them, hold more than 50 % of the voting shares in total.

24,291,902 shares, equivalent to 45.64 % of shares with voting rights, are attributed to the share pool by two separate pooling agreements, firstly between Frank Gotthardt, GT1 Vermögensverwaltung GmbH, Dr. Brigitte Gotthardt and Prof. Daniel Gotthardt, and secondly between GT1 Vermögensverwaltung GmbH and Dr. Reinhard Koop. In part, the purpose of the two pooling agreements is to ensure that voting rights are exercised consistently with regard to the shares of CompuGroup Medical SE. Frank Gotthardt and GT1 Vermögensverwaltung GmbH each hold further shares not attributed to the share pool.

The treasury shares held by the Company do not grant voting rights.

Interests in capital exceeding 10 % of the voting rights
In accordance with section 33 of the Wertpapierhandelsgesetz (WpHG – German Securities Trading Act), any shareholder that reaches, exceeds or falls below the voting rights thresholds of 3, 5, 10, 15, 20, 25, 30, 50 or 75 % in a listed company must notify that company and the Federal Financial Supervisory Authority (BaFin) without delay.

In addition to the major Gotthardt family/Dr. Koop shareholder group based in Germany referred to above, no other investors hold more than 10 % of the voting rights as at the reporting date. The shareholdings of which we have been notified that still exist as at December 31, 2019 are shown in the notes to the annual financial statements of CompuGroup Medical SE under the disclosures in accordance with section 160(1) no. 8 AktG.

Shares with special rights that grant control
The Company has not issued any shares with special rights that confer control.

Nature of voting right controls in the event of employee participation
The Management Board is not aware of any employees of the Company who hold interests in the share capital in such a way that employees do not directly exercise their rights of control in accordance with the statutory provisions.

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
The appointment and dismissal of members of the Management Board are governed by sections 84 and 85 AktG. In accordance with Article 7(1) of the Articles of Association, the Management Board consists of multiple people. The number of members of the Management Board is determined by the Supervisory Board.

Any amendment to the Articles of Association requires a resolution of the Annual General Meeting in accordance with section 179 AktG. The authority to make changes that only affect their wording has been conferred on the Supervisory Board in accordance with Article 26 of the Articles of Association. Furthermore, the Supervisory Board has been authorized by way of resolutions of the Annual General Meeting to amend Article 4 of the Articles of Association in accordance with the respective utilization of the authorized and conditional capital, and after the end of the respective authorization or utilization periods.

Resolutions by the Annual General Meeting require a simple majority of the votes cast, unless a larger majority is stipulated by law or the Articles of Association. In accordance with section 179(2) AktG, amendments to the Articles of Association require a majority of at least three quarters of the share capital represented at the Annual General Meeting when the resolution is adopted, unless a different capital majority is stipulated by the Articles of Association. Sections 179 to 181 AktG apply to amendments to the Articles of Association.

Authorizations of the Management Board to issue and buy back shares

Authorized capital

With the approval of the Supervisory Board, the Management Board is authorized to increase the share capital of the Company by up to EUR 26,609,675.00 by issuing new shares on one or more occasions in return for cash or non-cash contributions by May 17, 2021 (Authorized Capital). The Management Board is authorized, with the approval of the Supervisory Board, to determine the further details of the implementation of capital increases from Authorized Capital.

The new shares can also be issued to banks determined by the Management Board with the obligation to offer them to shareholders (indirect pre-emption right).

Shareholders must be granted pre-emption rights when utilizing authorized capital. However, the Management Board is authorized, with the approval of the Supervisory Board, to disapply shareholder's pre-emption rights:

+ to exclude fractional amounts from pre-emption rights;
+ for capital increases against non-cash contributions by granting shares for the direct or indirect acquisition of companies, parts of companies or equity investments in companies or business combinations;
+ in the event of a capital increase against cash contributions, if the issue price of new shares is not significantly less than the stock market price at the time of the final determination of the issue price and the total pro rata amount attributable to the new shares for which pre-emption rights are disapplied does not exceed 10 % of the share capital at the time of this authorization becoming effective or – if this value is lower – at the time it is exercised. The maximum limit of 10 % of the share capital includes shares issued or sold during the term of this authorization with pre-emption rights disapplied in accordance with section 186(3) sentence 4 AktG (applied directly or with the corresponding changes).

CompuGroup Medical SE had not utilized its Authorized Capital as at December 31, 2019.

Contingent capital

The share capital can be increased by up to EUR 21,287,740 (in words: twenty-one million two hundred and eighty-seven thousand seven hundred and forty euro) by issuing up to 21,287,740 new bearer shares with dividend entitlement from the start of the financial year in which they are issued (Contingent Capital 2017). The conditional equity increase is performed only to the extent to which bearers or creditors of convertible bonds, bonds with warrants, profit participation certificates or profit participation bonds (or combinations of these instruments) exercise their conversion rights or warrants on the basis of bonds issued by the Company 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 fulfillment 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 contingent capital increase, up to a total nominal amount of EUR 500,000,000.

Shareholders must be granted pre-emption rights to bonds when utilizing contingent capital. The Management Board is authorized, with the approval of the Supervisory Board, to disapply shareholders' pre-emption rights to bonds:

+ for fractional amounts;
+ to the extent necessary to grant pre-emption 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;
+ 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 service conversion rights, warrants or conversion or option obligations do not exceed 10 % of the share capital either at the point at which the subsequent authorization becomes effective or – if the number of shares is lower – when the authorization is exercised;
+ 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 in accordance with the above bullet.

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 disapply shareholders' pre-emption rights in full, with the approval of the Supervisory Board, if these profit participation certificates or profit participation bonds have features similar to those of a debenture. In this case, the interest calculation and issue amount of the profit participation certificates or profit participation bonds must be in line with current market conditions for comparable borrowing as at the time of issue.

CompuGroup Medical SE had not exercised this authorization to issue bonds as at December 31, 2019.

By way of resolution of the Annual General Meeting of May 15, 2019, the share capital is contingently increased by up to EUR 5,321,935 (in words: five million three hundred and twenty-one thousand nine hundred and thirty-five euro) by issue of up to 5,321,935 new no-par value bearer shares representing pro rata share capital of EUR 1.00 each (Contingent Capital 2019). The sole purpose of the contingent capital increase is to grant pre-emption rights (stock options) to members of the Management Board and executives of the Company, and to members of the management of its subsidiary associated companies and their executives, until May 14, 2024, in accordance with the more detailed provisions of the authorization resolution of the Annual General Meeting of May 15, 2019. The contingent capital increase will only be implemented to the extent that pre-emption rights are exercised in accordance with this authorization resolution and the Company does not pay the consideration in the form of cash or treasury shares. The new shares participate in profits for all financial years for which a resolution on the appropriation of profits has not been adopted at the time of their being created. The shares granted to entitled members of the Management Board of CompuGroup Medical SE and entitled employees of CompuGroup Medical SE, in addition to entitled members of the management of their subsidiary associated companies and their entitled employees, from the date of the resolution on Contingent Capital 2019 for the purpose of servicing pre-emption rights (stock options) from treasury shares of the Company (section 71(1) no. 8 AktG) must be deducted from Contingent Capital 2019. The stock options can only be issued to members of the Management Board of CompuGroup Medical SE (group 1) and to executives of CompuGroup Medical SE, and to members of the management of its subsidiary associated companies and senior executives, all of whom must belong to the group of senior vice presidents or the group of general managers (group 2).

The total volume of stock options (up to 5,321,935) is divided between the two groups as follows:

+ Group 1 members together receive a maximum of 3,547,957 stock options and the resulting pre-emption rights.
+ Group 2 members together receive a maximum of 1,773,978 stock options and the resulting pre-emption rights.

Members of both groups do not receive any additional pre-emption rights for their membership in group 2.

As at December 31, 2019, CompuGroup Medical SE had exercised this authorization to grant stock options and created stock option programs for a total of 1,000,000 stock options for members of group 1.

Authorization to purchase and use (including cancellation) of treasury shares
The authorization to acquire treasury shares granted to the Management Board by way of resolution of the Annual General Meeting of May 20, 2015, which was limited until May 20, 2020. This authorization was replaced by way of resolution of the Annual General Meeting on May 15, 2019 as follows.

CompuGroup Medical SE (the Company) is authorized in accordance with section 71(1) no. 8 AktG to acquire treasury shares of up to a total of 10 % of the value of the existing share capital at the time the resolution is adopted, or – if this amount is lower – at the time that this authorization is exercised. Acquired shares together with other treasury shares of the Company that are held by the Company or attributable to it in accordance with sections 71d and 71e AktG must not at any time exceed 10 % of the existing share capital at the time the resolution is adopted. The acquisition can 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. The authorization cannot be used for the purpose of trading in treasury shares. The authorization can be exercised in full or in part, on one or more occasions and in pursuit of one or more objectives by the company or by third parties acting on its behalf. The authorization became effective on May 16, 2019 and is valid until May 14, 2024. At the discretion of the Management Board, the acquisition will be implemented on the stock market or by a public purchase offer to all shareholders or a public invitation to all shareholders to submit offers for sale, whereby the explicit provisions of the resolution of the Annual General Meeting must be complied with.

The Management Board is authorized to utilize the treasury shares acquired on the basis of this or prior authorizations as follows:
1. With the approval of the Supervisory Board, treasury shares can be sold on the stock market or by way of an offer to all shareholders. With the approval of the Supervisory Board, they can also be sold in another manner if the shares are sold for cash and at a price that is not significantly less than the market price of the Company's shares of the same class as at the time of disposal in accordance with section 186(3) sentence 4 AktG. The combined pro rata amount of the share capital represented by the number of shares sold under this authorization, together with the pro rata amount of the share capital represented by any shares issued since this authorization became effective, i.e., on or after May 16, 2019, on the basis of any authorizations to issue shares from authorized capital with shareholders pre-emption rights disapplied in accordance with section 186(3) sentence 4 AktG or otherwise issued or sold in accordance with section 186(3) sentence 4 AktG (applied directly or with the corresponding changes) must not exceed 10 % of the share capital of the company, either at the time of the resolution or – if this value is lower – at the time this authorization is exercised. This limit includes shares issued or to be issued to service convertible bonds or bonds with warrants or options to the extent that these bonds or options are issued from the effective date of this authorization (May 16, 2019) in accordance with section 186(3) sentence 4 AktG (with the corresponding changes).

2. With the approval of the Supervisory Board, they can be offered and transferred to third parties for the purposes of direct or indirect acquisition of companies, parts of companies or equity investments in companies.
3. With the approval of the Supervisory Board, they can be offered and sold as consideration, so that the Company or one of its subsidiaries are issued copyright or third-party intellectual property rights, such as patents or brands in particular, or licenses to such rights, for the marketing and development of CompuGroup Medical SE products.
4. The shares can also be used to fulfill options arising from stock options issued by the Company in accordance with the authorization provided by the Annual General Meeting to grant pre-emption rights (stock options) to members of the Management Board and executives of CompuGroup Medical SE, and to members of the management and executives of subsidiary associated companies; if treasury shares are to be transferred to members of the Management Board of the Company in this context, the above authorization applies to the Supervisory Board.
5. The shares can be used to service or secure purchase obligations or purchase rights to CompuGroup shares, in particular from and in connection with convertible bonds or bonds with warrants issued by the Company or subsidiary associated companies.
6. In addition, with the approval of the Supervisory Board, the shares can also be canceled without the cancellation or execution requiring a further Annual General Meeting resolution.

The aforementioned authorizations can be utilized on one or several occasions, in full or in part, individually or collectively, and the authorizations in accordance with 1. to 5. can be utilized in accordance with instructions issued by the Management Board but also by dependent companies or companies in which the Company holds a majority interest, or third parties acting on the Company's account.

Shareholders' pre-emption rights to treasury shares are disapplied if these shares are used as per the above authorizations in 1. to 5.

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

Regarding the reporting obligations of section 315a sentence 1 no. 8 and 9 HGB, we hereby make a nil report with the following exceptions:

Among other scenarios, a change of control occurs when one or more natural or legal persons acting jointly as defined by section 30 of the Wertpapiererwerbs- und Übernahmegesetz German Securities Acquisition and Takeover Act (WpÜG – German Securities Acquisition and Takeover Act), who are not at least 25 % directly or indirectly owned by the Gotthardt family, acquire at least 30 % of the voting rights of the Company as defined by section 29 WpÜG. A change of control also occurs if the Gotthardt family directly or indirectly holds less than 25 %of the shares of the company.

In the event of a change of control (as per one or both of the above definitions), there are agreements in place for four members of the Management Board that are consistent with the terms of item 4.2.3 of the German Corporate Governance Code as amended February 7, 2017. This states that a commitment for benefits in the event of early termination as a member of the Management Board due to a change of control consists of severance in the amount of the total remuneration for the remaining contractual term, capped at a maximum amount of two years' total remuneration. For two members of the Management Board, severance is capped at 150 % of the total remuneration for the remaining term of the contract, whereby the total entitlement cannot exceed total remuneration for two years. This does not include-share-based compensation.

The members of the Management Board of CompuGroup Medical SE have a special right of termination if shareholders or third parties gain control of the Company and this could give rise to significant disadvantages for them. In such event, they are free to resign their office for cause within individually defined time periods of up to eight months, subject to agreed notice periods, after a change of control.

In the event of early contract termination for cause for which the respective member of the Management Board is responsible, the contracts do not provide for any severance. The contracts do not contain any regulations governing regular termination.

Share buyback programs

On December 13, 2018, CompuGroup Medical SE had announced a share buyback program for up to 500,000 shares with a total volume of up to EUR 20 million, to run until April 30, 2019. The program ran from December 17, 2018 to March 19, 2019 inclusively, and was implemented by way of the repurchase of shares on the stock market (Xetra trading on the Frankfurt Stock Exchange) by a mandated securities trading bank. CompuGroup Medical SE thus exercised the authorization granted by the Annual General Meeting on May 20, 2015, to buy back own shares. The repurchase was financed from existing cash and by using existing credit facilities.

On September 17, 2019, CompuGroup Medical SE had announced a share buyback program for up to 930,825 shares with a total volume of up to EUR 48.4 million, to run until March 31, 2020. The program ran from September 18, 2019 to October 30, 2019 inclusively, and was implemented by way of the repurchase of shares on the stock market (Xetra trading on the Frankfurt Stock Exchange) by a mandated securities trading bank. CompuGroup Medical SE thus exercised the authorization granted by the Annual General Meeting on May 15, 2019, to buy back own shares. The repurchase was financed from existing cash and by using existing credit facilities.

As at the end of the reporting year, CompuGroup Medical held 4,806,709 treasury shares or around 9.03 % of share capital. Please refer to III. Equity, subscribed capital, number of shares outstanding and treasury shares in the notes to the annual financial statements of CGM SE for information on the acquisition of treasury shares.

Corporate governance declaration/report (*)

The corporate governance declaration in accordance with section 289a HGB and section 315(5) HGB is published on the Company's website http://www.cgm.com. It includes the declaration in accordance with section 161 AktG and details of key corporate governance practices and the working methods of the Management Board and the Supervisory Board.

Remuneration report

The remuneration report of CompuGroup Medical sets out the principles for determining the remuneration of the Management Board and the Supervisory Board, and their individual amount and structure.

Remuneration of the Management Board

The total remuneration of the members of the Management Board consists of fixed and performance-based components in addition to a long-term incentive component (stock options). In particular, the criteria for the appropriateness of remuneration are the duties of the respective member of the Management Board, his or her personal performance and the economic situation of the Company. In addition, the success and future prospects of the Company in the respective peer group are also key criteria in determining remuneration. The components of non-performance-based remuneration are a fixed salary and fringe benefits, while the performance-based remuneration components consist of variable bonus payments.

The fixed salary, basic remuneration not based on performance, is paid monthly as a salary. In addition, the members of the Management Board, except the Chief Executive Officer, receive fringe benefits in the form of remuneration in kind, which essentially consists of the use of a company car. The use of a company car is subject to taxation as it is considered a component of the Management Board member's remuneration.

Variable remuneration, which is linked to the achievement of targets arranged at an earlier date, is agreed individually with each Management Board member, including targets measured over a long-term period. Long-term targets based on organic growth and consolidated EBITA/EBITDA are used for the members of the Management Board Mr. Frank Gotthardt, Mr. Uwe Eibich, Mr. Christian B. Teig and Mr. Frank Brecher. The (quantitative and qualitative) targets on which the calculation of bonus payments is based and their weighting are geared towards sustainable corporate governance in accordance with section 87 AktG.

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

On March 16, 2017, the Supervisory Board of CompuGroup Medical SE appointed Mr. Frank Gotthardt as CEO for a further five year term, starting January 1, 2018 and ending December 31, 2022. In addition to a fixed annual salary of EUR 800,000, Mr. Frank Gotthardt is entitled to performance-based remuneration based on average EBITA and the average organic growth rate in the financial year and the two subsequent years (amounts shown in table below). As the contract term is limited to the end of 2022, the time period for calculating averages is curtailed from financial year 2021. In the last year of his term (financial year 2022), the amount of the bonus is also dependent on the level of recurring revenue, which must be higher in financial year 2022 than in financial year 2021. The bonus for the financial year 2022 is otherwise reduced pro rata. If Mr. Frank Gotthardt dies or becomes permanently incapacitated during the contract period, his fixed annual salary and the variable portion of his remuneration will continue to be paid for a period of three months (to his surviving dependents in the event of his death).

On March 17, 2016, the Supervisory Board of CompuGroup Medical SE appointed Mr. Christian B. Teig as CFO for a third four-year term, starting October 1, 2016 and ending September 30, 2020. In addition to a fixed annual salary of EUR 400,000, Mr. Christian B. Teig receives performance-based remuneration of up to EUR 400,000 per year, composed of two equal components worth a maximum of EUR 200,000 each per year. The first performance-based remuneration component is dependent on the achievement of performance targets that are agreed individually for each financial year. The second performance-based remuneration component is measured by average EBITA and average organic growth in the financial year and the previous period. As a non-performance-based fringe benefit, Mr. Christian B. Teig is also provided with a company car. At 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 can be exercised at any time before this date (American options) without further conditions. If Christian B. Teig becomes permanently incapacitated during the contract period, his contract ends six months after his incapacity is determined. In the event of the Company terminating his contract, Mr. Christian B. Teig receives severance of not more than EUR 1,800,000 or the amount of the total remuneration that would be payable for the remaining term of the contract after its early termination. The contract also contains a change-of-control clause ("Takeover disclosures in accordance with section 315(4) HGB") that allows Mr. Christian B. Teig to resign within one month to the end of the month and to receive the above severance in full in the event of a change of control.

On August 1, 2019, the Supervisory Board of CompuGroup Medical SE approved an agreement on the resignation of Mr. Christian B. Teig as a member of the Management Board of the Company and all other offices in Group companies effective August 1, 2019. As per the terms of the agreement, his Management Board contract ends effective September 30, 2020. For the time period of his leave of absence from August 2, 2019 to September 30, 2020, Mr. Christian B. Teig is still entitled (pro rata) to his fixed annual remuneration, his annual bonus, his long-term bonus and his contractually owed fringe benefits. The annual bonus and the long-term bonus for the time period from January 1, 2019 to September 30, 2020 will be assessed on the basis of target achievement of 100 %. It was agreed with Mr. Christian B. Teig that he would continue to serve the Company in an advisory capacity until September 30, 2020, though it was mutually agreed that such services will not be called on after the end of the third quarter of 2019. His claims in connection with the stock option agreement as amended on March 17, 2016 have been settled in full by way of a non-recurring payment of EUR 17,000,000 (gross). This was paid with his regular salary payment for August 2019.

On September 8, 2016, the Supervisory Board of CompuGroup Medical SE appointed Mr. Uwe Eibich as member of the Management Board for a second four-year term, starting January 1, 2017 and ending December 31, 2020. In addition to a fixed annual salary of EUR 400,000, Mr. Uwe Eibich receives performance-based remuneration of up to EUR 100,000 per year. The performance-based remuneration component is dependent on the achievement of performance targets that are agreed individually for each financial year. Furthermore, Mr. Uwe Eibich is entitled to additional performance-based remuneration over the term of his contract of up to EUR 600,000. The second performance-based remuneration component is dependent on sales revenues from business in relation to the introduction of the telematics infrastructure in Germany and on recurring revenue from other eHealth services that CGM provides on the basis of the telematics infrastructure. Mr. Uwe Eibich is also provided with a company car. If he dies or becomes permanently incapacitated during the contract period, his fixed annual salary and the variable portion of his remuneration will continue to be paid for a period of three months (to his surviving dependents in the event of his death). In the event of the Company terminating his contract, Mr. Uwe Eibich receives severance in the amount of his total pro rata remuneration owed until the end of the term of his appointment. His severance is capped at a maximum amount of EUR 600,000.

On September 30, 2019, the Supervisory Board of CompuGroup Medical SE approved Mr. Uwe Eibich's resignation from the Management Board effective December 31, 2019. His contract was terminated effective December 31, 2020. Until December 31, 2020, Mr. Uwe Eibich will continue to receive his fixed monthly remuneration as per his contract, and he will continue to be at the Company's disposal as a consultant until this date. Mr. Uwe Eibich will receive annual performance-based remuneration of EUR 100,000 for the 2020 calendar year. In addition, he will receive a payment of EUR 375,000 for the second performance-based remuneration component, less advances already paid. CGM does not intend to exercise its right to receive consulting services, hence the full anticipated expenses for this contract were recognized in profit and loss in 2019.

On September 20, 2018, the Supervisory Board of CompuGroup Medical SE appointed Mr. Frank Brecher as CPO for a second four-year term, starting April 1, 2019 and ending March 31, 2023. In addition to a fixed annual salary of EUR 400,000, Mr. Frank Brecher receives performance-based remuneration of up to EUR 200,000 per year. The performance-based remuneration component is dependent on the achievement of performance targets that are agreed individually for each financial year. Furthermore, Mr. Frank Brecher is entitled to performance-based remuneration over the term of his contract of up to EUR 300,000. This second performance-based remuneration component is based on EBITA and organic growth. Frank Brecher is also provided with a company car. If he dies or becomes permanently incapacitated during the contract period, his fixed annual salary and the variable portion of his remuneration will continue to be paid for a period of three months (to his surviving dependents in the event of his death). In the event of the Company terminating his contract, Mr. Frank Brecher receives severance in the amount of his total pro rata remuneration owed until the end of the term of his appointment. His severance is capped at a maximum amount of EUR 900,000.

At its meeting on October 2, 2018, the Supervisory Board of CompuGroup Medical SE resolved to expand the Management Board by adding two new departments, Ambulatory & Pharmacy Information Systems and Clinical & Social Care. At the same time, the Supervisory Board appointed Dr. Ralph Körfgen as the Management Board member for Ambulatory & Pharmacy Information Systems for a three-year term from November 1, 2018 until October 31, 2021. In addition to a fixed annual salary of EUR 400,000, Dr. Ralph Körfgen receives performance-based remuneration of up to EUR 400,000 per year. The performance-based remuneration component is dependent on the achievement of performance targets that are agreed individually for each financial year. Furthermore, Dr. Körfgen receives share-based remuneration in the form of real options in the amount of up to 250,000 CompuGroup shares. The 250,000 share options can only be exercised if a new contract period beyond October 31, 2023 is agreed, after which the options can be exercised until the end of the second contract term. If the exercise price for the options is set above the XETRA average rate for the time period beginning 45 calendar days before November 1, 2018 and ending 45 calendar days after November 1, 2018 (the average rate for November was set at EUR 46.12), the member of the Management Board will receive a long-term bonus in the amount of the difference between the exercise price of the options and the average XETRA price referred to above, multiplied by a factor of 250,000, if the performance targets set for the options are achieved, to be due and payable when the options are exercised. The exercise price of the real stock options is EUR 65.53

and is subject to additional restrictions and conditions that can limit the volume of shares, adjust the exercise price and otherwise preclude Dr. Körfgen from exercising his options. In the event that Dr. Körfgen is not offered a second contract term, he is entitled to an additional bonus in the amount of a third of the value of his options as at October 31, 2021. The fair value of the share-based remuneration was EUR 16.85 per share option at the time it was granted. Dr. Körfgen is also provided with a company car. If he dies or becomes permanently incapacitated during the contract period, his fixed annual salary and the variable portion of his remuneration will continue to be paid for a period of three months (to his surviving dependents in the event of his death). In the event of the Company terminating his contract, Dr. Körfgen receives severance in the amount of his total pro rata remuneration owed until the end of the term of his appointment. His severance is capped at a maximum amount of two years' full remuneration and bonuses, or the fixed remuneration and bonus owed as at the end of the term of his contract. His contract also contains a change of control clause that allows Dr. Ralph Körfgen to terminate his employment within three months to the end of the month after a four-month time period in the event of a change of control. The commitment for benefits in the event of early termination as a member of the Management Board due to a change of control consists of severance payment in the amount of the total remuneration for the remaining contractual term. Furthermore, this entitlement is capped at a maximum amount of two years' total remuneration. In addition, his severance is capped at 150 % of the total remuneration for the remaining term of his contract, whereby the total entitlement cannot exceed total remuneration for two years. This does not include-share-based remuneration.

At its meeting on October 2, 2018, the Supervisory Board appointed Mr. Hannes Reichl as the Management Board member for Clinical & Social Care for a four-year term, from November 1, 2018 to October 31, 2022. In addition to a fixed annual salary of EUR 400,000, Mr. Hannes Reichl receives performance-based remuneration of up to EUR 400,000 per year. The performance-based remuneration component is dependent on the achievement of performance targets that are agreed individually for each financial year. Furthermore, Mr. Reichl receives share-based remuneration in the form of real options for up to 250,000 CompuGroup shares. The 250,000 share options can only be exercised if a new contract period beyond October 31, 2023 is agreed, after which the options can be exercised until the end of the second contract term. If the exercise price for the options is set above the XETRA average rate for the time period beginning 45 calendar days before November 1, 2018 and ending 45 calendar days after November 1, 2018 (the average rate for November was set at EUR 46.12), the member of the Management Board will receive a long-term bonus in the amount of the difference between the exercise price of the options and the average XETRA price referred to above, multiplied by a factor of 250,000, if the performance targets set for the options are achieved, to be due and payable when the options are exercised. The exercise price of the real stock options is EUR 65.53 and is subject to additional restrictions and conditions that can limit the volume of shares, adjust the exercise price and otherwise preclude Mr. Reichl from exercising his options. In the event that Mr. Reichl is not offered a second contract term, he is entitled to an additional bonus in the amount of a third of the value of his options as at October 31, 2022. The fair value of the share-based remuneration was EUR 16.85 per share option at the time it was granted. Mr. Reichl is also provided with a company car. If he dies or becomes permanently incapacitated during the contract period, his fixed annual salary and the variable portion of his remuneration will continue to be paid for a period of three months (to his surviving dependents in the event of his death). In the event of the Company terminating his contract, Mr. Reichl receives severance in the amount of his total pro rata remuneration owed until the end of the term of his appointment. His severance is capped at a maximum amount of two years' full remuneration and bonuses, or the fixed remuneration and bonus owed as at the end of the term of his contract. His contract also contains a change of control clause that allows Mr. Hannes Reichl to terminate his employment without notice within two months of the end of a four-month time period in the event of a change of control. The commitment for benefits in the event of early termination as a member of the Management Board due to a change of control consists of severance payment in the amount of the total remuneration for the remaining contractual term. Furthermore, this entitlement is capped at a maximum amount of two years' total remuneration. In addition, his severance is capped at 150 % of the total remuneration for the remaining term of his contract, whereby the total entitlement cannot exceed total remuneration for two years. This does not include-share-based remuneration.

At its meeting on March 29, 2019, the Supervisory Board appointed Mr. Michael Rauch as the Chief Financial Officer (CFO) effective August 1, 2019 for a term of three years to end as at July 31, 2022. In addition to fixed annual remuneration of EUR 425,000, Mr. Michael Rauch receives performance-based remuneration of EUR 500,000 on 100 % target achievement with a maximum amount of EUR 1,000,000 on target achievement of 200 % or more per year. The performance-based remuneration component is dependent on the achievement of performance targets that are agreed individually for each financial year. Furthermore, Mr. Reichl receives share-based remuneration in the form of options in the amount of up to 250,000 CompuGroup shares. The 250,000 share options can only be exercised if the performance targets are achieved and the waiting period until July 31, 2023 has been observed, after which the options can be exercised. The exercise price of the stock options is EUR 56.27 and is subject to additional restrictions and conditions that can limit the volume of shares, adjust the exercise price and otherwise preclude Mr. Rauch from exercising his options. In the event that Mr. Rauch is not offered a second contract term, he is entitled to an additional bonus in the amount of a third of the value of his options as at July 31, 2022. The fair value of the share-based remuneration was EUR 9.60 per share option at the time it was granted. Mr. Rauch is also provided with a company car. If he dies or becomes permanently incapacitated during the contract period, his fixed annual salary and the variable portion of his remuneration will continue to be paid for a period of three months (to his surviving dependents in the event of his death). In the event of the Company terminating his contract, Mr. Rauch receives severance in the amount of his total pro rata remuneration owed until the end of the term of his appointment. His severance is capped at a maximum amount of two years' full remuneration and bonuses, or the fixed remuneration and bonus owed as at the end of the term of his contract. His contract also contains a change of control clause that allows Mr. Michael Rauch to terminate his employment with notice of four weeks within two months of the end of a six-month time period in the event of a change of control. The commitment for benefits in the event of early termination as a member of the Management Board due to a change of control consists of severance payment in the amount of the total remuneration for the remaining contractual term. Furthermore, this entitlement is capped at a maximum amount of two years' total remuneration. This does not include-share-based remuneration.

At its meeting on June 29, 2019, the Supervisory Board appointed Dr. Eckart Pech to the new Management Board position as Director of Consumer & Health Management Information Systems effective November 1, 2019 for a term of three years to end as at October 31, 2022. In addition to fixed annual remuneration of EUR 400,000, Dr. Eckart Pech receives performance-based remuneration capped at EUR 600,000 per year, depending on the degree of target achievement. The performance-based remuneration component is dependent on the achievement of performance targets that are agreed individually for each financial year. Furthermore, Dr. Körfgen receives share-based remuneration in the form of synthetic or real options in the amount of up to 250,000 CompuGroup shares. The 250,000 options can only be exercised if the contract is renewed and it is still valid as at the time the options are exercised. The exercise price of the stock options is EUR 56.93 and is subject to additional restrictions and conditions that can limit the volume of shares, adjust the exercise price and otherwise preclude Dr. Eckart Pech from exercising his options. In the event that Dr. Eckart Pech is not offered a second contract term, he is entitled to an additional bonus in the amount of a third of the value of his options as at October 31, 2022. The fair value of the share-based remuneration was EUR 12.91 per share option at the time it was granted. Dr. Eckart Pech is also provided with a company car. If he dies or becomes permanently incapacitated during the contract period, his fixed annual salary and the variable portion of his remuneration will continue to be paid for a period of three months (to his surviving dependents in the event of his death). In the event of the Company terminating his contract, Mr. Pech receives severance in the amount of his total pro rata fixed remuneration owed until the end of the term of his appointment and 50 % of his variable remuneration. His severance is capped at a maximum amount of two years' full remuneration and bonuses, or the fixed remuneration and bonus owed as at the end of the term of his contract. His contract also contains a change of control clause that allows Dr. Eckart Pech to terminate his employment with notice of four weeks within two months of the end of a six-month time period in the event of a change of control. The claim to severance pay is based on the regulations for termination of contract by the Company. The commitment for benefits in the event of early termination as a member of the Management Board due to a change of control consists of severance payment in the amount of the total remuneration for the remaining contractual term. Furthermore, this entitlement is capped at a maximum amount of two years' total remuneration. This does not include-share-based remuneration.

Management board remuneration tables

	Frank Gotthardt CEO Member of the Management Board since September 29, 1993					
	Benefits granted				Amount received	
	2018	2019	2019 (min.)	2019 (max.)	2018	2019
Fixed remuneration	800,000	800,000	800,000	800,000	800,000	800,000
Fringe benefits	0	0	0	0	0	0
Total	800,000	800,000	800,000	800,000	800,000	800,000
Short-term variable remuneration	0	0	0	0	0	0
Long-term variable remuneration						
Long-term incentive (July 1, 2013 to December 31, 2017)	0	0	0	0	1,629,779	0
Long-term incentive (January 1, 2018 to December 31, 2022)	3,393,700	3,221,138	0	0	0	1,881,737
Other					0	0
Total	4,193,700	4,021,138	800,000	800,000	2,429,779	2,681,737
Service cost	0	0	0	0	0	0
Total remuneration	4,193,700	4,021,138	800,000	800,000	2,429,779	2,681,737

	Frank Brecher CPO Member of the Management Board since April 1, 2015					
	Benefits granted				Amount received	
	2018	2019	2019 (min.)	2019 (max.)	2018	2019
Fixed remuneration	300,000	375,000	375,000	375,000	300,000	375,000
Fringe benefits	33,539	33,539	33,539	33,539	33,539	33,539
Total	333,539	408,539	408,539	408,539	333,539	408,539
Short-term variable remuneration	150,000	180,612	0	200,000	95,000	167,185
Long-term variable remuneration						
Long-term incentive (April 1, 2019 to March 31, 2023)	74,475	0	0	75,000	0	57,597
Other	0	0	0	0	0	0
Total	558,014	589,151	408,539	683,539	428,539	633,321
Service cost	0	0	0	0	0	0
Total remuneration	558,014	589,151	408,539	683,539	428,539	633,321

	Dr. Ralph Körfgen Management Board member for Ambulatory & Pharmacy Information Systems Member of the Management Board since November 1, 2018					
	Benefits granted				Amount received	
	2018	2019	2019 (min.)	2019 (max.)	2018	2019
Fixed remuneration	66,667	400,000	400,000	400,000	66,667	400,000
Fringe benefits	3,049	13,737	13,737	13,737	3,049	13,737
Total	69,716	413,737	413,737	413,737	69,716	413,737
Short-term variable remuneration	50,000	347,455	0	400,000	0	50,000
Long-term variable remuneration						
Long-term incentive (November 1, 2018 to October 31, 2021)	0	0	0	0	0	0
Other	0	0	0	0	0	0
Total	119,716	761,192	413,737	813,737	69,716	463,737
Service cost	0	0	0	0	0	0
Total remuneration	119,716	761,192	413,737	813,737	69,716	463,737

	Hannes Reichl Management Board member for Clinical & Social Care Member of the Management Board since November 1, 2018					
	Benefits granted				Amount received	
	2018	2019	2019 (min.)	2019 (max.)	2018	2019
Fixed remuneration	66,667	400,000	400,000	400,000	66,667	400,000
Fringe benefits	2,095	12,567	12,567	12,567	2,095	12,567
Total	68,762	412,567	412,567	412,567	68,762	412,567
Short-term variable remuneration	50,000	324,308	0	400,000	0	54,052
Long-term variable remuneration						
Long-term incentive (November 1, 2018 to October 31, 2022)	0	0	0	0	0	0
Other	0	0	0	0	0	0
Total	118,762	736,875	412,567	812,567	68,762	466,619
Service cost	0	0	0	0	0	0
Total remuneration	118,762	736,875	412,567	812,567	68,762	466,619

	Michael Rauch CFO Member of the Management Board since August 1, 2019					
	Benefits granted				Amount received	
	2018	2019	2019 (min.)	2019 (max.)	2018	2019
Fixed remuneration	0	177,083	177,083	177,083	0	177,083
Fringe benefits	0	33,057	33,057	33,057	0	33,057
Total	0	210,140	210,140	210,140	0	210,140
Short-term variable remuneration (August 1, 2020 to December 31, 2020)	0	208,333	0	416,667	0	0
Long-term variable remuneration						
Long-term incentive (November 1, 2019 to October 31, 2022)	0	0	0	0	0	0
Other	0	0	0	0	0	0
Total	0	418,473	210,140	626,807	0	210,140
Service cost	0	0	0	0	0	0
Total remuneration	0	418,473	210,140	626,807	0	210,140

Dr. Eckart Pech Member of the Management Board, Director of Consumer and Health Management Information Systems Member of the Management Board since November 1, 2019						
	Benefits granted				Amount received	
	2018	2019	2019 (min.)	2019 (max.)	2018	2019
Fixed remuneration	0	66,667	66,667	66,667	0	66,667
Fringe benefits	0	6,838	6,838	6,838	0	6,838
Total	0	73,505	73,505	73,505	0	73,505
Short-term variable remuneration	0	66,667	0	100,000	0	0
Long-term variable remuneration						
Long-term incentive (November 1, 2019 to October 31, 2022)	0	0	0	0	0	0
Other	0	0	0	0	0	0
Total	0	140,172	73,505	173,505	0	73,505
Service cost	0	0	0	0	0	0
Total remuneration	0	140,172	73,505	173,505	0	73,505

Uwe Eibich Management Board member for Telematics & eHealth Platforms Member of the Management Board since January 1, 2007						
	Benefits granted				Amount received	
	2018	2019	2019 (min.)	2019 (max.)	2018	2019
Fixed remuneration	400,000	400,000	400,000	400,000	400,000	400,000
Fringe benefits	36,841	36,841	36,841	36,841	36,841	36,841
Total	436,841	436,841	436,841	436,841	436,841	436,841
Short-term variable remuneration	100,000	–398	0	100,000	70,000	100,000
Long-term variable remuneration						
Long-term incentive (January 1, 2017 to December 31, 2020)	103,717	148,083	0	375,000	25,764	25,764
Other	0	0	0	0	0	0
Total	640,558	584,526	436,841	911,841	532,605	562,605
Service cost	0	0	0	0	0	0
Total remuneration	640,558	584,526	436,841	911,841	532,605	562,605

	Christian B. Teig CFO Member of the Management Board since October 1, 2008					
	Benefits granted				Amount received	
	2018	2019	2019 (min.)	2019 (max.)	2018	2019
Fixed remuneration	400,000	17,468,750	400,000	400,000	400,000	17,468,750
Fringe benefits	41,274	43,341	43,341	43,341	41,274	43,341
Total	441,274	17,512,091	443,341	443,341	441,274	17,512,091
Short-term variable remuneration	168,966	200,000	0	200,000	150,000	169,229
Long-term variable remuneration						
Long-term incentive (October 1, 2016 to September 30, 2020)	200,000	200,000	0	200,000	173,127	200,000
Other	0	0	0	0	0	0
Total	810,240	17,912,091	443,341	843,341	764,401	17,881,320
Service cost	0	0	0	0	0	0
Total remuneration	810,240	17,912,091	443,341	843,341	764,401	17,881,320

Please refer to the notes to the consolidated financial statements for information on the remuneration of the Management Board in accordance with section 285 no. 9a HGB and section 314(1) no. 6a HGB.

Remuneration of the Supervisory Board

The remuneration of the Supervisory Board was determined by the Annual General Meeting and is governed by Article 16 of the Articles of Association of the Company. Its remuneration is geared towards the functions and the responsibilities of the members of the Supervisory Board.

Supervisory Board remuneration is based on a fixed annual amount. In the past financial year, there were changes in the amount of remuneration 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 remuneration 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 reimbursed (notably travel expenses). This results in the following allocation for the reporting year:

Supervisory Board remuneration 2019

	Supervisory Board compensation EUR
Dr. Esser, Klaus	90,000
Dr. Gotthardt, Daniel	60,000
Dr. Handel, Ulrike	60,000
Seifert, Thomas	60,000
Pagenkopf, Maik	60,000
Schrod, Klaus	60,000
Total	390,000

Supervisory Board remuneration 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

Additional remuneration is paid to employee representatives on the Supervisory Board for work outside the Supervisory Board on an arm's-length basis. Individual remuneration is not disclosed for reasons of materiality.

Dependency report

The Management Board submitted its report on relations with associated companies (dependency report) in accordance with section 312 AktG with the following declaration in accordance with section 312(3) AktG, to the Supervisory Board. "Our Company received appropriate consideration for each transaction according to the circumstances known to the Management Board at the time that each transaction was performed. No actions subject to reporting in accordance with section 312 AktG were taken or omitted."

Consolidated Statement of Financial Position

for financial year 2019

ASSETS

EUR `000	Note*	Dec 31, 2019	Dec 31, 2018 (restated**)	Jan 1, 2018 (restated**)
Non-current assets				
Intangible assets	(41)	668,329	536,540	534,608
Property, plant and equipment	(42)	88,064	83,653	82,812
Right-of-use assets	(43)	43,189	0	0
Investments in associates and joint ventures (valued at-equity)	(44)	938	9,716	10,734
Other investments	(44)	1,458	725	172
Finance lease receivables	(48)	14,826	11,984	11,178
Contract assets	(49)	0	1,598	0
Other financial assets	(50)	9,003	1,606	1,510
Other non-financial assets	(51)	1,200	1,200	0
Deferred taxes	(45)	5,923	8,476	6,041
		832,930	**655,498**	**647,055**
Current assets				
Inventories	(46)	27,492	19,579	12,497
Trade receivables	(47)	102,982	105,597	110,908
Finance lease receivables	(48)	7,784	5,802	5,197
Contract assets	(49)	9,092	8,409	0
Other financial assets	(50)	3,137	2,623	2,118
Other non-financial assets	(51)	16,918	15,588	10,351
Income tax receivables	(45)	19,177	8,854	6,521
Cash and cash equivalents	(52)	46,350	25,302	30,362
		232,932	**191,754**	**177,954**
Assets qualified as held for sale	(53)	0	1,059	0
		1,065,862	848,311	825,009

* Refers to the corresponding note in E. Notes on items of the balance sheet and the income statement
** Restatement of prior-year figures, see note 3. Corrections in accounting
(The enclosed notes are an integral part of the consolidated financial statements)

EQUITY AND LIABILITIES

EUR `000	Note*	Dec 31, 2019	Dec 31, 2018 (restated**)	Jan 1, 2018 (restated**)
Equity	(54)			
Subscribed capital		53,219	53,219	53,219
Treasury shares		–86,322	–45,259	–20,292
Reserves		292,208	253,757	188,329
Capital and reserves allocated to the shareholders of the parent company		**259,105**	**261,717**	**221,256**
Non-controlling interests		811	2,111	1,886
		259,916	**263,828**	**223,142**
Non-current liabilities				
Provisions for post-employment benefits and other non-current provisions	(55)	30,979	24,785	24,806
Liabilities to banks	(56)	410,838	302,602	318,118
Contract liabilities	(60)	6,114	7,108	0
Purchase price liabilities	(58)	7,791	3,789	5,321
Lease liabilities	(57)	28,489	0	0
Other financial liabilities	(62)	13,619	17,135	9,018
Other non-financial liabilities	(62)	1,193	1,263	1,427
Deferred taxes	(45)	70,619	43,510	48,976
		569,642	**400,192**	**407,666**
Current liabilities				
Liabilities to banks	(56)	38,810	5,822	34,241
Contract liabilities	(60)	42,485	33,951	0
Purchase price liabilities	(58)	10,119	9,486	9,078
Trade payables	(59)	47,093	39,293	43,944
Income tax liabilities	(45)	17,973	14,820	9,724
Other provisions	(61)	42,156	50,801	51,692
Lease liabilities	(57)	14,636	0	0
Other financial liabilities	(62)	7,849	11,592	9,063
Other non-financial liabilities	(62)	15,183	18,286	36,459
		236,304	**184,051**	**194,201**
Liabilities related to assets held for sale	(63)	0	240	0
		1,065,862	848,311	825,009

* Refers to the corresponding note in E. Notes on items of the balance sheet and the income statement
** Restatement of prior-year figures, see note 3. Corrections in accounting
(The enclosed notes are an integral part of the consolidated financial statements)

Consolidated Income Statement
for financial year 2019

EUR '000	Note*	Jan 1 to Dec 31, 2019	Jan 1 to Dec 31, 2018 (restated**)
Sales revenue	(64)	745,808	717,023
Capitalized inhouse services	(65)	24,570	18,512
Other income	(66)	13,458	8,034
Expenses for goods and services purchased	(67)	–138,956	–151,428
Personnel expenses	(68)	–339,442	–281,413
Net impairment losses on financial and contract assets		–4,037	–2,562
Other expenses	(69)	–123,275	–120,330
Earnings before interest, taxes, depreciation and amortization (EBITDA)		**178,126**	**187,836**
Depreciation of property, plant and equipment and right-of-use assets	(70)	–28,521	–11,415
Earnings before interest, taxes and amortization (EBITA)		**149,605**	**176,421**
Amortization of intangible assets	(70)	–34,335	–33,188
Earnings before interest and taxes (EBIT)		**115,270**	**143,233**
Result from companies accounted for using the equity method	(71)	–1,785	–293
Financial income	(72)	2,067	2,010
Financial expenses	(72)	–7,808	–10,845
Earnings before taxes (EBT)		**107,745**	**134,105**
Income taxes for the period	(73)	–41,594	–37,763
Results from continued operations		**66,151**	**96,342**
Profit for the period from discontinued operations		0	0
Consolidated net income for the period		**66,151**	**96,342**
of which: allocated to shareholders of the parent company		65,819	96,085
of which: allocated to non-controlling interests		332	257
Earnings per share (from continuing operations)	(74)		
undiluted (EUR)		1.35	1.94
diluted (EUR)		1.33	1.92

* Refers to the corresponding note in E. Notes on items of the balance sheet and the income statement
** Restatement of prior-year figures, see note 3. Corrections in accounting
(The enclosed notes are an integral part of the consolidated financial statements)

Consolidated Statement of Total Comprehensive Income
for financial year 2019

EUR '000	Note*	Jan 1 to Dec 31, 2019	Jan 1 to Dec 31, 2018 (restated**)
Consolidated net income for the period		**66,151**	**96,342**
Items that will not be reclassified to profit or loss:			
Actuarial gains and losses arising from post-employment benefits		–4,107	878
Change in actuarial gains and losses	(55)	–4,012	1,318
Deferred income taxes for the period	(45)	–95	–440
Items that may be reclassified to profit or loss:			
Currency conversion differences	(54)	806	927
Changes in equity		–1,268	–3,217
Changes in profit or loss (recycling)		2,074	4,144
Operating income and expense recognized directly in equity (other comprehensive income)		**–3,301**	**1,805**
Total comprehensive income		**62,850**	**98,147**
of which: allocated to shareholders of the parent company		62,518	97,890
of which: allocated to non-controlling interests		332	257

* Refers to the corresponding note in E. Notes on items of the balance sheet and the income statement
** Restatement of prior-year figures, see note 3. Corrections in accounting
(The enclosed notes are an integral part of the consolidated financial statements)

Changes in Consolidated Equity

for financial year 2019

EUR `000	Subscribed capital	Treasury shares	Reserves	Accumulated other comprehensive income Currency translation	Equity attributable to shareholders of CGM SE	Non-controlling interest	Consolidated equity
As at Dec 31, 2017/Jan 1, 2018 (as reported)	**53,219**	**–20,292**	**221,484**	**–20,237**	**234,174**	**1,886**	**236,060**
Adjustments in accordance with IAS 8	**0**	**0**	**–12,918**	**0**	**–12,918**	**0**	**–12,918**
As at Dec 31, 2017/Jan 1, 2018 (restated*)	**53,219**	**–20,292**	**208,566**	**–20,237**	**221,256**	**1,886**	**223,142**
Changes due to the adoption of new standards: IFRS 15	**0**	**0**	**–14,057**	**0**	**–14,057**	**0**	**–14,057**
Changes due to the adoption of new standards: IFRS 9	**0**	**0**	**–995**	**0**	**–995**	**0**	**–995**
Consolidated net income for the period after corrections accordance with IAS 8	**0**	**0**	**96,085**	**0**	**96,085**	**257**	**96,342**
Other comprehensive income	0	0	878	927	1,805	0	1,805
Actuarial gains and losses	0	0	878	0	878	0	878
Currency conversion differences	0	0	0	927	927	0	927
Total comprehensive income	**0**	**0**	**96,963**	**927**	**97,890**	**257**	**98,147**
Transactions with shareholders	**0**	**–24,967**	**–17,409**	**0**	**–42,376**	**–32**	**–42,408**
Dividend distribution	0	0	–17,403	0	–17,403	–103	–17,506
Stock option 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
As at Dec 31, 2018 (restated*)	**53,219**	**–45,259**	**273,067**	**–19,310**	**261,717**	**2,111**	**263,828**
Consolidated net income for the period	**0**	**0**	**65,819**	**0**	**65,819**	**332**	**66,151**
Other comprehensive income	**0**	**0**	**–4,107**	**806**	**–3,301**	**0**	**–3,301**
Actuarial gains and losses	0	0	–4,107	0	–4,107	0	–4,107
Currency conversion differences	0	0	0	806	806	0	806
Total comprehensive income	**0**	**0**	**61,712**	**806**	**62,518**	**332**	**62,850**
Transactions with shareholders	**0**	**–41,063**	**–24,067**	**0**	**–65,130**	**–1,631**	**–66,761**
Dividend distribution	0	0	–24,414	0	–24,414	–1,408	–25,822
Stock option program	0	0	1,435	0	1,435	0	1,435
Non-controlling interests from acquisitions	0	0	0	0	0	46	46
Additional purchase of shares from non-controlling interests after control	0	0	–1,088	0	–1,088	–269	–1,357
Buyback of treasury shares	0	–41,063	0	0	–41,063	0	–41,063
As at Dec 31, 2019	**53,219**	**–86,322**	**310,712**	**–18,504**	**259,105**	**811**	**259,916**

* Restatement of prior-year figures, see note 3. Corrections in accounting
(The enclosed notes are an integral part of the consolidated financial statements)

Cash Flow Statement
for financial year 2019

EUR '000	Note*	Jan 1 to Dec 31, 2019	Jan 1 to Dec 31, 2018 (restated**)
Consolidated net income for the period		66,151	96,342
Depreciation of property, plant and equipment and amortization of intangible assets	(70)	62,856	44,603
Earnings on sale of fixed assets	(66), (69)	424	–84
Change in provisions (including income tax liabilities)		–1,910	3,806
Deferred tax income/expense	(73)	10,696	–5,072
Other non-cash earnings/expenditures		–3,649	11,970
		134,568	**151,565**
Change in inventories		–6,237	–7,071
Change in trade receivables and other receivables*		6,618	–4,621
Change in income tax receivables		–10,076	–2,173
Change in other receivables		–7,932	–6,600
Change in trade payables		4,092	–4,700
Change in contract liabilities		–1,641	–3,138
Change in other liabilities		–8,897	13,086
Operating cash flow – continuing operations		**110,495**	**136,348**
Operative cash flow		**110,495**	**136,348**
Cash inflow from disposals of intangible assets		0	554
Cash outflow for capital expenditure in intangible assets		–29,056	–27,626
Cash inflow from disposals of property, plant and equipment		401	515
Cash outflow for capital expenditures in property, plant and equipment		–14,684	–12,727
Net cash outflow for company acquisitions (less acquired cash and cash equivalents and prepayments in previous periods)	(12)	–94,857	–4,811
Cash outflow for acquisitions from prior periods		–1,753	–3,600
Cash inflow from the disposal of subsidiaries and business units		505	215
Cash outflow for capital expenditures in joint ventures		0	0
Cash flow from investing activities – continuing operations		**–139,444**	**–47,480**
Cash flow from investing activities		**–139,444**	**–47,480**
Buyback of own shares		–41,063	–24,967
Dividend paid	(54)	–24,414	–17,403
Capital paid to non-controlling interests	(54)	–1,408	–103
Acquisition of additional shares from non-controlling interests	(54)	–1,356	–30
Downpayment of lease liabilities (2018: cash outflows for the amortization of liabilities from finance leases)		–16,572	–6,971
Cash inflow from borrowing of loans	(56)	188,495	297,329
Cash outflow from the repayment of loans	(56)	–54,005	–341,265
Cash flow from financing activities – continuing operations		**49,677**	**–93,410**
Cash flow from financing activities		**49,677**	**–93,410**
Cash and cash equivalents at the beginning of the period	(52)	25,302	30,362
Change in cash and cash equivalents		**20,728**	**–4,542**
Changes due to exchange rate fluctuations		320	–518
Cash and cash equivalents at the end of the period	**(52)**	**46,350**	**25,302**
Interest paid		5,226	8,104
Interest received		1,150	877
Income taxes paid		31,511	35,333

* Refers to the corresponding note in E. Notes on items of the balance sheet and the income statement
** Restatement of prior-year figures, see note 3. Corrections in accounting
(The enclosed notes are an integral part of the consolidated financial statements)

Segment Report for Financial Year 2019 (old structure)

	Segment AIS Ambulatory Information Systems		Segment PCS Pharmacy Information Systems		Segment HIS Hospital Information Systems	
	2019	2018	2019	2018	2019	2018
EUR `000	Jan 1 to Dec 31	Jan 1 to Dec 31	Jan 1 to Dec 31	Jan 1 to Dec 31	Jan 1 to Dec 31	Jan 1 to Dec 31
Sales revenues with third parties	**461,393**	**461,862**	**119,802**	**113,391**	**116,342**	**101,262**
of which Software Licenses	32,586	36,876	7,065	5,648	13,282	10,799
of which Hardware	54,760	82,851	26,742	25,594	10,283	3,677
of which Professional Services	50,898	56,344	10,185	10,246	26,754	25,089
of which Software Maintenance & Hotline	228,114	213,973	33,714	32,423	52,982	50,912
of which Other Recurring Revenue	89,015	65,385	38,302	36,338	12,872	10,249
of which advertising, e-Detailing and Data	1,604	2,022	3,338	2,955	0	0
of which Software-Assisted Medicine	182	1,489	0	0	0	0
of which Other Revenue	4,234	2,922	456	187	169	536
Timing of revenue recognition						
at a point in time	68,463	91,084	29,396	27,328	12,387	5,761
over a period of time	392,931	370,778	90,406	86,063	103,956	95,501
	461,394	**461,862**	**119,802**	**113,391**	**116,343**	**101,262**
Sales revenue between segments	18,496	34,298	37,719	56,581	3,608	2,812
Segment revenue	**479,889**	**496,160**	**157,521**	**169,972**	**119,950**	**104,074**
Capitalized inhouse services	10,994	8,581	0	0	12,212	8,531
Other income	7,174	3,614	3,867	1,110	3,074	3,012
Expenses for goods and services purchased	–107,059	–146,846	–65,777	–77,144	–22,720	–17,884
Personnel expenses	–156,259	–129,080	–40,268	–39,655	–69,951	–63,608
Other expenses	–76,330	–73,739	–19,391	–20,750	–27,884	–22,516
EBITDA	158,409	158,690	35,952	33,533	14,681	11,609
in % of sales revenue	34.3%	34.4%	30.0%	29.6%	12.6%	11.5%
Depreciation of property, plant and equipment						
Amortization of intangible assets						
EBIT						
Results from associates recognized at equity						
Interest income						
Interest expense						
EBT						
Income taxes						
Consolidated net income for the period						
in % of sales revenue						

* Restatement of prior-year figures, see note 3. Corrections in accounting

Segment HCS Health Connectivity Services		All other Segments		Sum Segments		Consolidation		CGM Group	
2019	2018	2019	2018 restated*	2019	2018 restated*	2019	2018 restated*	2019	2018 restated*
Jan 1 to Dec 31	Jan 1 to Dec 31	Jan 1 to Dec 31	Jan 1 to Dec 31	Jan 1 to Dec 31	Jan 1 to Dec 31	Jan 1 to Dec 31	Jan 1 to Dec 31	Jan 1 to Dec 31	Jan 1 to Dec 31
48,216	**40,371**	**55**	**137**	**745,808**	**717,023**	**0**	**0**	**745,808**	**717,023**
735	276	0	0	53,668	53,599	0	0	53,668	53,599
804	0	0	6	92,589	112,128	0	0	92,589	112,128
7,842	5,224	39	28	95,718	96,931	0	0	95,718	96,931
4,555	3,885	0	86	319,365	301,279	0	0	319,365	301,279
1,262	1,468	0	0	141,451	113,440	0	0	141,451	113,440
29,372	25,621	0	0	34,314	30,598	0	0	34,314	30,598
3,809	4,039	0	0	3,991	5,528	0	0	3,991	5,528
–163	–142	16	17	4,712	3,520	0	0	4,712	3,520
641	–142	16	23	110,903	124,054	–1	0	110,902	124,054
47,574	40,513	39	114	634,906	592,969	–1	0	634,905	592,969
48,215	**40,371**	**55**	**137**	**745,809**	**717,023**	**–2**	**0**	**745,808**	**717,023**
5,134	5,406	16,777	13,189	81,734	112,286	–81,734	–112,286	0	0
53,350	**45,777**	**16,832**	**13,326**	**827,542**	**829,309**	**–81,734**	**–112,286**	**745,808**	**717,023**
0	0	1,364	1,400	24,570	18,512	0	0	24,570	18,512
2,100	496	43,137	41,803	59,352	50,035	–45,894	–42,001	13,458	8,034
–15,135	–13,608	–1,292	–2,678	–211,983	–258,160	73,027	106,732	–138,956	–151,428
–15,619	–12,438	–58,152	–37,729	–340,249	–282,510	807	1,097	–339,442	–281,413
–8,123	–6,776	–49,344	–44,220	–181,072	–168,001	53,760	45,109	–127,312	–122,891
16,573	13,451	–47,455	–28,098	178,160	189,185	–34	–1,349	178,126	187,836
34.4%	33.3%			23.9%	26.4%			23.9%	26.2%
								–28,521	–11,415
								–34,335	–33,188
								115,270	143,233
								–1,785	–293
								2,067	2,010
								–7,808	–10,845
								107,745	134,105
								–41,594	–37,763
								66,151	96,342
								8.9%	12.9%

Segment Report for the Financial Year 2019 (new structure)

	Segment AIS Ambulatory Information Systems		Segment PCS Pharmacy Information Systems		Segment HIS Hospital Information Systems	
	2019	2018	2019	2018	2019	2018
EUR `000	Jan 1 to Dec 31	Jan 1 to Dec 31	Jan 1 to Dec 31	Jan 1 to Dec 31	Jan 1 to Dec 31	Jan 1 to Dec 31
Sales revenues with third parties	**444,643**	**448,100**	**119,394**	**110,850**	**135,907**	**119,861**
of which Software Licenses	30,445	34,888	7,045	5,508	15,579	13,046
of which Hardware	54,785	84,575	26,654	23,899	10,346	3,648
of which Professional Services	47,264	52,629	10,185	10,181	30,403	28,856
of which Software Maintenance & Hotline	217,049	203,901	33,714	32,423	66,280	63,143
of which Other Recurring Revenue	88,752	65,659	38,302	35,695	13,136	10,617
of which advertising, e-Detailing and Data	1,603	2,021	3,338	2,955	0	0
of which Software-Assisted Medicine	181	1,490	0	0	0	0
of which Other Revenue	4,564	2,937	156	189	163	551
Timing of revenue recognition						
at a point in time	68,657	92,763	28,989	25,495	12,623	5,933
over a period of time	375,986	355,337	90,405	85,355	123,284	113,928
	444,643	**448,100**	**119,394**	**110,850**	**135,907**	**119,861**
Sales revenue between segments	24,101	24,310	864	695	4,776	2,643
Segment revenue	**468,744**	**472,410**	**120,258**	**111,545**	**140,683**	**122,504**
Capitalized inhouse services	10,994	8,374	0	0	12,212	8,738
Other income	8,772	3,861	2,259	2,794	2,973	3,239
Expenses for goods and services purchased	–101,313	–119,392	–32,727	–28,763	–21,988	–17,087
Personnel expenses	–151,102	–125,073	–39,469	–37,423	–81,726	–74,046
Other expenses	–75,040	–77,730	–18,426	–19,219	–32,864	–29,246
EBITDA	161,055	162,450	31,895	28,934	19,290	14,102
in % of sales revenue	36.2%	36.3%	26.7%	26.1%	14.2%	11.8%
Depreciation of property, plant and equipment						
Amortization of intangible assets						
EBIT						
Results from associates recognized at equity						
Interest income						
Interest expense						
EBT						
Income taxes						
Consolidated net income for the period						
in % of sales revenue						

* Restatement of prior-year figures, see note 3. Corrections in accounting

Segment CHS Consumer and Health Management Information Systems		All other Segments		Sum Segments		Consolidation		CGM Group	
2019	2018	2019	2018 restated*	2019	2018 restated*	2019	2018 restated*	2019	2018 restated*
Jan 1 to Dec 31	Jan 1 to Dec 31	Jan 1 to Dec 31	Jan 1 to Dec 31	Jan 1 to Dec 31	Jan 1 to Dec 31	Jan 1 to Dec 31	Jan 1 to Dec 31	Jan 1 to Dec 31	Jan 1 to Dec 31
45,689	**37,985**	**174**	**227**	**745,808**	**717,023**	**0**	**0**	**745,808**	**717,023**
598	144	0	13	53,668	53,599	0	0	53,668	53,599
804	0	0	6	92,589	112,128	0	0	92,589	112,128
7,818	5,252	48	13	95,718	96,931	0	0	95,718	96,931
2,200	1,618	122	194	319,365	301,279	0	0	319,365	301,279
1,261	1,469	0	0	141,451	113,440	0	0	141,451	113,440
29,373	25,622	0	0	34,314	30,598	0	0	34,314	30,598
3,810	4,038	0	0	3,991	5,528	0	0	3,991	5,528
–175	–158	4	1	4,712	3,520	0	0	4,712	3,520
629	–158	4	21	110,902	124,054	0	0	110,902	124,054
45,060	38,143	170	206	634,906	592,969	0	0	634,906	592,969
45,689	**37,985**	**174**	**227**	**745,808**	**717,023**	**0**	**0**	**745,808**	**717,023**
1,912	3,291	16,384	6,929	48,037	37,868	–48,037	–37,868	0	0
47,601	**41,276**	**16,558**	**7,156**	**793,845**	**754,891**	**–48,037**	**–37,868**	**745,808**	**717,023**
748	824	616	576	24,570	18,512	0	0	24,570	18,512
1,754	630	46,244	41,470	62,002	51,994	–48,544	–43,960	13,458	8,034
–15,772	–16,173	–1,395	–4,723	–173,195	–186,138	34,239	34,710	–138,956	–151,428
–15,477	–13,258	–52,945	–38,240	–340,719	–288,040	1,277	6,627	–339,442	–281,413
–7,643	–7,536	–54,370	–28,303	–188,343	–162,034	61,031	39,143	–127,312	–122,891
11,211	5,763	–45,292	–22,064	178,160	189,185	–34	–1,349	178,126	187,836
24.5%	15.2%			23.9%	26.4%			23.9%	26.2%
								–28,521	–11,415
								–34,335	–33,188
								115,270	143,233
								–1,785	–293
								2,067	2,010
								–7,808	–10,845
								107,745	134,105
								–41,594	–37,763
								66,151	96,342
								8.9%	12.9%

Consolidated Notes for the 2019 Financial Year

A. GENERAL DISCLOSURES

1. Company information

CompuGroup Medical SE (also referred to as the "company" or "CGM") is a European stock corporation (Societas Europea, SE) registered in Germany in the Commercial Register of the Koblenz Local Court under HRB no. 24981.

CompuGroup Medical SE is the ultimate parent company of the Group. The domicile of the Company is Maria Trost 21, 56070 Koblenz, Germany. The purpose of the Company and its main activities are divided into the following business areas:

- Ambulatory Information Systems (AIS);
- Pharmacy Information Systems (PCS);
- Hospital Information Systems (HIS); and
- Consumer and Health Management Information Systems (CHS).

These business areas form the basis for the segment reporting. The range of services of these four business areas is as follows:

- AIS: Development and sale of practice software solutions and the performance of services for doctors and dentists in private practice. It also provides Internet services for doctors and other healthcare participants.
- PCS: Development and sale of software solutions and the provision of services for pharmacies.
- HIS: Development and sale of clinical software solutions and the provision of services.
- CHS: Networking service providers (doctors, dentists, hospitals and pharmacies) with other important market participants in the healthcare sector such as insurance companies and payors, pharmaceutical companies and research institutions.

CompuGroup Medical SE changed its segment reporting in the financial year 2019.

The previous Health Connectivity Services (HCS) reporting segment was transferred to the new Consumer and Health Management Information Systems (CHS) reporting segment.

2. Basis of reporting and fundamental principles

These consolidated financial statements include the financial statements of CompuGroup Medical SE and its subsidiaries (also referred to as the "CGM Group"). As in the previous year, the consolidated financial statements of the CGM Group as at December 31, 2019 have been prepared in accordance with section 315e of the Handelsgesetzbuch (HGB – German Commercial Code) and in compliance with the International Financial Reporting Standards (IFRS).

All the International Financial Reporting Standards (IFRS) – previously International Accounting Standards (IAS) – and the interpretations of the International Financial Interpretations Committee (IFRS IC) – previously the Standing Interpretations Committee (SIC) – applicable in the EU that were effective for the reporting time frame ended December 31, 2019 have been applied. The application of the individual standards is described in the comments on the individual items of the consolidated financial statements.

These are the first consolidated financial statements in which IFRS 16 Leases has been applied. The associated changes in significant accounting policies are presented in section B.

The provisions of commercial law applicable in accordance with section 315e HGB have also been observed.

The Management Board of CompuGroup Medical SE prepared the consolidated financial statements on March 16, 2020 and approved them for publication.

The consolidated income statement and the consolidated statement of financial position are structured in accordance with IAS 1 and the income statement has been prepared in line with the nature of expense method.

The Group's accounting guidelines require the individual subsidiaries to use the same accounting policies.

The consolidated financial statements are based on the historical cost principle costs. Unless stated otherwise, assets and liabilities are recognized on the basis of historical purchase or manufacturing costs less necessary impairment (fair value).

The estimates and assumptions on which the preparation of the IFRS consolidated financial statements is based affect the measurement of assets (in particular, goodwill; deferred tax assets) and liabilities (provisions; purchase price liabilities), the disclosure of contingent assets and liabilities at the respective reporting dates and the amount of income and expenses in the reporting period. Although these assumptions and estimates have been made to the best of the Management Board's knowledge, the actual results can differ from these estimates.

Unless otherwise stated in individual cases, all amounts in the consolidated financial statements are stated in thousands of euro. Minor deviations in totals and the calculation of percentages in this report can occur as a result of rounding.

3. Corrections in accounting

In connection with the resignation agreement with a member of the Management Board, it was found that stock options granted to him in 2008 should not have been accounted for as equity-settled, but rather as cash-settled in accordance with IFRS 2.41. A short-term provision for remuneration components relating to share options should therefore have been recognized. After being granted, the stock options were supposed to be exercisable at any time after a waiting period, and would have had to have be remeasured at the respective closing rate of CompuGroup's shares at each reporting date since being granted. The error was corrected by restating the items concerned in the financial statements as at January 1, 2018 and, for financial year 2018, by recognizing the personnel expenses resulting from the further remeasurement of the claims to payment under the stock options until December 31, 2018 in profit or loss. Given the amount of the provision not recognized, we consider the error to be material in accordance with IAS 8.41, hence retrospective correction is required in accordance with IAS 8.42 et seq.

The following tables show the respective corrections to the consolidated statement of financial position and the consolidated income statement as at the end of 2018.

Consolidated statement of financial position

January 1, 2018

Jan 1, 2018		Effect of correction of error	
in EUR '000	as previously reported	Restatement	Restated
Total assets	**825,009**	**0**	**825,009**
Income tax liabilities	15,261	–5,537	9,724
Other provisions	33,237	18,455	51,692
Other liabilities	540,451	0	540,451
Total liabilities	**588,949**	**12,918**	**601,867**
Reserves	201,247	–12,918	188,329
Other components of equity	34,813	0	34,813
Equity	**236,060**	**–12,918**	**223,142**

December 31, 2018

Dec 31, 2018		Effect of correction of error	
in EUR '000	as previously reported	Restatement	Restated
Total assets	**848,311**	**0**	**848,311**
Income tax liabilities	18,750	–3,930	14,820
Other provisions	37,700	13,101	50,801
Other liabilities	518,862	0	518,862
Total liabilities	**575,312**	**9,171**	**584,483**
Reserves	262,928	–9,171	253,757
Other components of equity	10,071	0	10,071
Equity	**272,999**	**–9,171**	**263,828**

Consolidated income statement

January 1 until December 31, 2018

Dec 31, 2018		Effect of correction of error	
in EUR '000	as previously reported	Restatement	Restated
Personnel expenses	–286,767	5,354	–281,413
Income taxes	–36,156	–1,607	–37,763
Other items of the consolidated income statement	415,518	0	415,518
Profit	92,595	3,747	96,342
Earnings per share from continuing operations:			
undiluted (EUR)	1.86	0.08	1.94
diluted (EUR)	1.85	0.07	1.92
Cash Net Income	121,064	3,747	124,811
Cash Net Income per share (EUR)	2.45	0.07	2.52

There are no material effects on the total cash flows from operating, investing or financing activities for the time period from January 1 to December 31, 2018.

The following notes are affected:
54. Equity
61. Other provisions
68. Personnel expenses and employees
73. Income taxes
74. Earnings per share from continuing operations

B. KEY ACCOUNTING PRINCIPLES AND MEASUREMENT METHODS

4. Principles for the preparation of the consolidated financial statements

The consolidated financial statements of CGM were prepared on the basis of historical costs. This does not apply to certain financial instruments that are measured at the revalued amount or fair value as at the reporting date. Corresponding information can be found in the respective accounting principles and measurement methods.

In general, historical purchase or manufacturing costs are based on the fair value of the consideration paid in exchange for the asset.

Fair value is the amount that would be received to sell an asset or paid to transfer a liability between market participants at the measurement date. It is irrelevant whether the amount can be observed on the market directly or is 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 would also take these characteristics into account when determining the purchase price of an asset or the transfer of a liability as at the end of the reporting period. In these consolidated financial statements, the fair value to be used for measurement or the disclosure requirements is generally calculated on the basis of the principles described above. This does not apply to:
+ share-based payments within the scope of IFRS 2 Share-based Payment;
+ leases within the scope of IFRS 16 Leases; and
+ measurements similar to but not the same as fair value. This includes, for example, net realizable value in IAS 2 Inventories or value in use in IAS 36 Impairment of Assets.

Fair value is not always based on a direct market quote, hence it is often necessary to calculate it based on various measurement parameters. Depending on the availability of observable parameters and the relevance of these parameters for calculating fair value as a whole, fair value is assigned to levels 1, 2 or 3. Fair value is assigned to these levels based on the following criteria:
- Level 1 parameters: The market value of assets and liabilities is calculated on the basis of quoted and unadjusted prices for these or identical assets and liabilities arise on active markets. Tradeability on the principal or most advantageous market on the measurement date is key.

- Level 2 parameters: The market value of assets and liabilities is calculated on the basis of parameters for which either directly or indirectly derived quoted prices are available on an active market. Examples: price quotations on non-active markets; observable interest rates and curves; implied volatilities; credit spreads and adjusted level 1 inputs.
- Level 3 parameters: The market value of assets and liabilities is calculated on the basis of parameters for which no observable market data are available. Examples: interest rates calculated using models; historical volatilities; financial forecast based on company's own data and adjusted level 2 inputs.

5. New and amended standards, interpretations and amendments to published standards effective for the first time in 2019

The accounting policies applied are the same as those applied in the previous year. New or amended standards that were endorsed by the EU and are effective from January 1, 2019 are described below:

Standard (published on)	Content	Effective for financial years beginning on or after (EU)
IFRS 16 (January 13, 2016)	The core requirement of IFRS 16 is to recognize generally all leases and the associated contractual rights and obligations in the lessee's balance sheet. The previous distinction between finance leases and operating leases required by IAS 17 is therefore no longer required for the lessee.	January 1, 2019
Amendments to IFRS 9 (October 12, 2017)	The proposed amendments to IFRS 9 concern a limited adjustment of the assessment criteria relevant to the classification of financial assets. Under certain circumstances, prepayment features with negative compensation may be recognized at amortized cost or at fair value through other comprehensive income rather than at fair value through profit and loss.	January 1, 2019
IFRIC 23 (June 7, 2017)	IFRIC 23 clarifies the accounting for uncertainty over income tax treatments. The Interpretation applies to taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates when tax treatments involve uncertainty that affects the application of IAS 12.	January 1, 2019
Amendments to IAS 28 (October 12, 2017)	The amendments to IAS 28 clarify that IFRS 9 applies to long-term interests in associates and joint ventures not accounted for according to the equity method.	January 1, 2019
Annual Improvements to IFRS (2015-2017 Cycle) (December 12, 2017)	The annual improvement process affects the following standards:	January 1, 2019
IFRS 3, IFRS 11, IAS 12, IAS 23 Amendments to IAS 19 (February 7, 2018)	These amendments now explicitly state that after an amendment, curtailment or settlement of a pension plan during a 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.	January 1, 2019

a) IFRS 16 Leases

IFRS 16 replaces IAS 17, the previous standard on accounting for leases, and the associated Interpretations and was effective for the first time as at January 1, 2019. CompuGroup Medical SE has made the transition in accordance with the modified retrospective approach as defined by IFRS 16(C5)(b); the comparative figures for prior-year periods have thus not been restated.

In accordance with IFRS 16(C3), there was no reassessment of whether a contract is, or contains, a lease at the date of initial application.

The CGM Group as lessee

As a result of the adoption of IFRS 16, lease liabilities are recognized at the present value of the remaining lease payments for leases that were previously classified as operating leases in accordance with IAS 17. They are discounted using the lessee's risk-adjusted incremental borrowing rate as at the date of initial application. The weighted average incremental borrowing rate applied to lease liabilities as at January 1, 2019 is 1.63 %. The right-of-use asset was measured at the amount of the lease liability. The Group applies this approach to all leases. The Group tested its right-of-use assets for impairment as at the transition date and concluded that there were no indications that the right-of-use assets were impaired.

As at January 1, 2019, leases that were previously classified as finance leases in accordance with IAS 17 were recognized as right-of-use assets and lease liabilities at their book values in accordance with IAS 17 as at December 31, 2018.

Furthermore, material options and practical expedients were exercised as follows as at the date of initial application of IFRS 16:
+ right-of-use assets and lease liabilities are reported separately in the balance sheet.
+ there are practical expedients not exercised by the CGM Group for low-value leased assets and short-term leases (less than twelve
+ months).
+ In connection with the determination of the term of leases, hindsight is taken into account if it leads to a better estimation of the exercise of renewal or termination options.
+ The grandfathering regulation is not be exercised. Thus, IFRS 16, Leases, is effective for all leases within its scope from January 1, 2019. This applies leases as both a lessee and a lessor.
+ Portfolio of leases with reasonably similar characteristics are measured using a uniform discount rate. The portfolios take into account the nature of asset and the currency of the lease.

The effects of the adoption of IFRS 16 are presented below:

Reconciliation of lease liabilities as at January 1, 2019	EUR '000
Operating lease commitments disclosed as at December 31, 2018	40,899
Discounted using the lessor's incremental borrowing rate	39,454
Plus finance lease liabilities recognized as at December 31, 2018	961
Lease liabilities recognized on January 1, 2019	40,415
of which:	
Current lease liabilities	14,940
Non-current lease liabilities	**25,475**

Approximately 78 % of the right-of-use assets recognized relate to leases for property and buildings, and approximately 21 % to vehicle leases.

The changes in the accounting method affected the following balance sheet items as at January 1, 2019 as follows:	EUR '000
Depreciation of property, plant and equipment	-829
Increase in right-of-use assets	40,852
Decrease in other financial liabilities	-961
Increase in lease liabilities	40,415

The reductions in property, plant and equipment and other financial liabilities essentially comprise reclassifications of the book values from existing finance leases to right-of-use assets and lease liabilities.

The CGM Group as lessor
As at the date of transition to IFRS 16, the Group is not required to make adjustments for leases in which it is the lessor, except for subleases. There were no significant sub-leases as at the transition date.

b) Amendments to IFRS 9
On October 12, 2017, the IASB published an amendment to IFRS 9 entitled "Prepayment Features with Negative Compensation". With this minor amendment to IFRS 9, the IASB intends to clarify or adapt the existing regulations in this regard.

The reason for this is its unclear application to financial instruments that contain symmetric termination and compensation clauses, whereby compensation could in theory be paid both by the debtor to the creditor and vice versa.

This amendment also includes two notes clarifying the application of IFRS 9 to modifications of financial liabilities. The amendments are effective retrospectively for reporting periods beginning on or after January 1, 2019. The application of the amendments has no effect on consolidated net income.

c) IFRIC 23 – Uncertainty over Income Tax Treatments
The IASB published IFRIC 23 on June 7, 2017. The interpretation of IAS 12 is intended to provide clarity and consistency in accounting for the recognition and measurement of assets and liabilities in situations where the income tax treatment is uncertain.

Specifically, it is intended to eliminate the uncertainty regarding whether to apply IAS 12 or IAS 37 to contested tax liabilities. IAS 12 previously contained a loophole, whereby every tax item in the balance sheet is uncertain until final assessment.

IFRIC 23, including references for all cases of uncertainty regarding the amount of income tax payable (to be generated), 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 must assume that a taxation authority with the right to examine any amounts reported to it will examine those amount and will have full knowledge of all relevant information when doing so.
+ An entity must consider whether it is probable that the relevant authority will accept the income 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 must 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 must reassess its judgments and estimates if facts and circumstances change.

In accordance with IAS 8, IFRIC 23 must be applied retrospectively. An exception is permitted for the restatement of comparative information.

A complete retrospectively application is permitted if this is possible without the use of hindsight.

The Interpretation does not contain separate disclosure requirements, and instead refers to the existing disclosure requirements of IAS 1 and IAS 12. IFRIC 23 is effective for annual reporting periods beginning on or after January 1, 2019.
The application of the clarifications has no material effect on consolidated net income.

d) Amendments to IAS 28 – Long-term Interests in Associates and Joint Ventures
The IASB published an amendment to IAS 28 Long-term Interests in Associates and Joint Ventures on October 12, 2017. Investments in associates and joint ventures in accordance with IAS 28 had previously been excluded from the scope of IFRS 9. However, it was not clear whether this exclusion applied only to investments in associates and joint ventures accounted for using the equity method or also to those reported at fair value, for example.
The addition of 14A to IAS 28 is intended to clarify that IFRS 9, including its impairment regulations, applies to long-term interests in associates or joint ventures that are part of the net investment in this company but are not accounted for using the equity method. A reference in IAS 28.41 to IFRS 9 that the IASB considered unnecessary was deleted.
These amendments are effective for reporting periods beginning on or after January 1, 2019. They had no material effect on consolidated net income.

e) Annual Improvements to IFRSs (2015–2017 Cycle)
The following improvements were finalized in December 2017:

+ IFRS 3: If an entity acquires control as defined by IFRS 10 of a former joint operation that represents a business through the acquisition of additional shares, this is a business combination achieved in stages. The previously held interest in the joint operation must 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, the previously held interest is not remeasured.
+ IAS 12: Clarification that the income tax consequences of dividend distribution 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 application of the amendments has no significant effect on consolidated financial statements.

f) Amendments to IAS 19 – Plan Amendment, Curtailment or Settlement
The amendments to IAS 19 include requirements for the accounting of plan amendments, curtailment and settlements. These state that an entity must:

+ 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 time period of the reporting period after a plan was amended, curtailed or settled;
+ any reduction in a surplus should be recognized immediately in profit or loss either as part of past service cost, or as a gain or loss on settlement, even if this surplus has not previously been reported due to the effect of the asset ceiling;
+ recognize the effects of changes in the asset ceiling in other comprehensive income.

The amendments had no material effect on consolidated net income.

6. New accounting principles that have already been endorsed in European law and that will be effective in the future

Standard (published on)	Content	Effective for financial years beginning on or after (EU)
Amendments to IAS 1 and IAS 8: Definition of material (October 31, 2018)	The aim of the amendment is to standardize the definition of material in all IFRSs and the Conceptual Framework, and to prevent the obscuring of important information through insignificant information. The definition of "material" has therefore been clarified.	January 1, 2020
Amendments to the Conceptual Framework (March 29, 2018)	In particular, the revision of the Framework Concept included a new section on the measurement of assets and liabilities, guidance on the presentation of the results of operations, revised definitions of assets and liabilities and clarifications of the significance of accountability and the prudence principle in the context of IFRS accounting.	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS 7 (September 26, 2019)	The amendments are intended to ensure that hedge accounting can continue despite the anticipated discontinuation of various interest rate benchmarks.	January 1, 2020

a) Amendments to IAS 1 and IAS 8: Definition of material
On October 31, 2018, the IASB issued amendments relating to the definition of materiality of financial statement information in IAS 1 Presentation of Financial Statements and in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. The amendments and the accompanying examples are primarily intended to make it easier for IFRS preparers to assess materiality. The amendments are also intended to contribute towards a uniform understanding of materiality in IFRSs. The amendments are effective from January 1, 2020; earlier adoption is permitted. The management of CGM assumes that the adoption of the amendments will not have any significant impact on the consolidated financial statements.

b) Amendments to the Conceptual Framework
In particular, the revision of the Framework Concept included a new section on the measurement of assets and liabilities, guidance on the presentation of the results of operations, revised definitions of assets and liabilities and clarifications of the significance of accountability and the prudence principle in the context of IFRS accounting.

c) Amendments to IFRS 9, IAS 39 and IFRS 7
Interbank offered rates (IBORs) such as EURIBOR and LIBOR play a central role on the financial markets. They are used, for example, as interest rate benchmarks for floating-rate loans or derivatives such as interest rate swaps. However, existing IBORs have repeatedly been called into question in recent years, partly on account of the discovery of market manipulation and a reduction in liquidity on the unsecured interbank market. On the initiative of the G20, the Financial Stability Board (FSB) then presented guidelines for a reform of key interest rates such as IBORs in July 2014. Measures were initiated to develop and implement alternative reference interest rates. Among other things, these will be based to a greater extent on transaction data.

The amendments to the standard concern the effects on certain hedge accounting requirements in IFRS 9 Financial Instruments and IAS 39 Financial Instruments: Recognition and Measurement, and on related disclosures in the notes required by IFRS 7 Financial Instruments: Disclosures.

However, the management of the CGM Group assumes that amendments to IFRS 9, IAS 39 and IFRS 7 will not have any significant effect on the consolidated financial statements.

7. Amendments, standards and interpretations published by the IASB but not yet endorsed in European law

In the years 2014 to 2020, the IASB has approved further standards that are not effective in financial year 2019. The application of these IFRS is still subject to endorsement by the EU.

Standard (published on)	Content	Effective for financial years beginning on or after (EU)
IFRS 17 (May 18, 2017)	This standard creates a uniform international financial reporting standard for insurance business. Its objective is to enhance the transparency and comparability of accounting by insurance companies.	January 1, 2021
Amendments to IFRS 3 Business Combinations (October 22, 2018)	The amendments are intended to solve the problems that arise when an entity determines whether it has acquired a business or a group of assets.	January 1, 2020
Amendments to IAS 1 (January 23, 2020)	The amendments to the classification of liabilities as current or non-current affect only the reporting of liabilities in the presentation of the financial position – not the amount or timing of the recognition of assets, liabilities, income or expenses or the related disclosures made by entities.	January 1, 2022
IFRS 14 (January 30, 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

The IASB published IFRS 17 Insurance Contracts on May 18, 2017. This standard creates a uniform international financial reporting standard for insurance business with the aim of enhancing the transparency and comparability of accounting by insurance companies.

Under the current interim standard IFRS 4, entities are permitted to retain their previous accounting practices, which are based on a wide variety of local accounting principles, which greatly impairs the comparability of financial statements. IFRS 17 establishes principles for the reporting, measurement and disclosure of insurance contracts. It aims to provide relevant information for the faithful representation of contracts. This information forms the basis on which users assess the effects that insurance contracts have on the net assets, financial position, results of operations and cash flows.

IFRS 17 contains principles for the recognition, measurement and the disclosure of insurance contracts. The standard applies to insurance contracts, reinsurance contracts and investment contracts with discretionary participation features. For each group of contracts (unit of account) an amount must be determined consisting (building block approach) of the fulfillment cash flows (risk-adjusted present value of future cash flows) and the contractual service margin (CSM = future unearned profit). The fulfillment cash flows must be updated in subsequent measurement based on current assumptions. Similarly, the CSM must be adjusted in subsequent measurement to reflect changes in estimates of future probability, a financing effect and the earned profit based on the insurance cover provided. The standard contains a general model and a variable fee approach for direct participation policies. Furthermore, the standard includes regulations on the reporting of income (sales revenue) and expenses and on disclosures in the notes.

IFRS 17 does not govern accounting for policyholders. The standard is effective for the first time for financial years beginning on or after January 1, 2021. On becoming effective, IFRS 17 will replace the current interim standard, IFRS 4. For European users, this requires the prior endorsement of IFRS 17 by the EU Commission. However, it is not currently known when this endorsement should be expected.

The management of the CGM Group does not expect IFRS 17 Insurance Contracts to have any significant effect on the consolidated financial statements as CGM is not an insurance provider.

b) Amendments to IFRS 3 Business Combinations

The IASB issued a definition of business operation (Amendments to IFRS 3) on October 22, 2018. The amendments are intended to solve the problems that arise when an entity determines whether it has acquired a business or a group of assets. The amendments apply to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020.

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

c) Amendments to IAS 1

The amendments clarify that the classification of liabilities as current or non-current must be based on the rights that exist as at the reporting date, and harmonize the wording in all the notes affected to refer to the "right" to defer the settlement of an obligation by at least twelve months. They also explicitly state that only rights that exist "as at the end of the reporting period" affect the classification of a liability. Moreover, it is clarified that classification is not dependent on the expectation of whether an entity will exercise its right to defer settlement of an obligation. Furthermore, it is clarified that settlement refers to the transfer of cash, equity instruments or other assets or payments to the counterparty.

d) IFRS 14 Regulatory Deferral Accounts

The IASB released the interim standard IFRS 14 Regulatory Deferral Accounts in January 2014. The objective of IFRS 14 is to increase the comparability of the financial statements of entities that perform rate-regulated activities. Rate regulations can lead to economic advantages or disadvantages if expenses in the current financial year affect the prices charged in future financial years. The national accounting regulations of some countries permit or require the capitalization/deferral of economic benefits (expensing/deferral of economic disadvantages). With several minor restrictions, IFRS 14 Regulatory Deferral Accounts allows entities that are IFRS first-time adopter to continue to recognize regulatory deferral accounts that they recognized in their financial statements under their previous accounting principles. This applies both to the first IFRS financial statements and to subsequent financial statements. Regulatory deferral accounts and changes in them must be reported separately in the presentation of the financial position and in the consolidated income statement or in other comprehensive income (OCI).

The adoption of IFRS 14 is voluntary. The standard can be applied when an entity prepares its first IFRS financial statements for reporting periods beginning on or after January 1, 2016. Earlier adoption is permitted. However, if an entity chooses to apply the standard when first adopting IFRSs, it must also be applied in all subsequent periods. The EU has decided not to launch the endorsement process of this interim standard and to wait for the final standard.

The management of the CGM Group does not expect IFRS 14 Regulatory Deferral Accounts to have any effects on the consolidated financial statements as CGM does not have any regulatory deferral accounts.

C. PRINCIPLES OF CONSOLIDATION

8. Date of consolidation

The reporting date of the Group is December 31, which is the reporting date of the annual financial statements of the parent company and its subsidiaries.

9. Consolidated subsidiaries

The consolidated financial statements include the financial statements of the parent company and the companies controlled by the parent company, including their structured entities (subsidiaries), as at December 31 of each year.

The Company achieves control when:
+ it has power over the investee;
+ it is exposed to variable returns from its involvement; and
+ it can use its power to affect the amount of returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three criteria for control.

In the event that the Company does not hold the majority of the voting rights, it still controls the investee if its voting rights give it the practical ability to direct the relevant activities unilaterally. When assessing whether its voting rights are sufficient to give it power, the Company considers all facts and circumstances, including:
+ the extent of the Company's possession of voting rights relative to the extent and proportion of the other quota-holders;
+ the potential voting rights of the Company, as well as potential voting rights held by other parties;
+ rights from other contractual arrangements; and
+ any additional facts and circumstances that indicate the investor has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins from the date the Company achieves control of the subsidiary and ceases when the Company loses control of the subsidiary. The results of the subsidiaries acquired or sold during the year are recognized in profit or loss from the actual acquisition date to the actual disposal date.

Profit or loss and each component of other comprehensive income are attributed to the shareholders of the parent and to the non-controlling interests. This applies even if this results in the non-controlling interests having a deficit balance.

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

The principles of purchase accounting applied by CGM Group are presented below:

a) Changes in ownership held by the Group in existing subsidiaries

Changes in the ownership interests held within the CGM Group in subsidiaries without a change of control over the respective subsidiaries are accounted for as equity transactions. The book value of interests and non-controlling interests held by the CGM Group are adjusted to reflect the changes in their relative 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 attributed to shareholders of the parent company.

If the Company loses control of a subsidiary, the deconsolidation gains or losses are recognized in profit or loss. A distinction is made between:
+ the total fair value of the consideration received and the fair value of the retained interest; and
+ the book value of the assets (including any goodwill), the liabilities of the subsidiary and any non-controlling interests.

All amounts reported in other comprehensive income in connection with this subsidiary are accounted for as if the assets were sold, resulting in reclassification to the income statement or a direct transfer to retained earnings.

Any investment retained in the former subsidiary by the Company are recognized at its fair value at the date when control is lost. This value represents the cost of the shares, which depending on the degree of control in subsequent measurement, is measured in accordance with IFRS 9 Financial Instruments: Recognition and Measurement or the regulations for associates or joint ventures.

b) Acquisition of subsidiaries

The CGM Group accounts for the acquisition of companies and businesses using the acquisition method. Consideration transferred in a company acquisition is measured at fair value. This is calculated as the total of the fair values, as at the acquisition date, of the assets transferred and the liabilities assumed and the equity instruments issued by the Group in exchange to obtain control over the acquiree. Transaction costs associated with the business combination are recognized in profit or loss when incurred.

The identifiable assets acquired and liabilities assumed are measured at fair value with the following exceptions:
+ deferred tax assets or deferred tax liabilities and 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 compensation for share-based payments by the CGM Group are measured in accordance with IFRS 2 Share-based Payment as at the acquisition date; 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 total amount of the consideration transferred, the amount of any non-controlling interests in the acquiree and, if available, the fair value of the equity interest previously held by the acquirer in the acquiree, less the fair value of identifiable assets acquired and liabilities assumed as at the acquisition date. If the measurement of an acquisition of a subsidiary results in negative goodwill, this is recognized immediately as income in profit and loss after a detailed review of all measurement methods applied for the business combination..

If there are non-controlling interests that convey ownership interests and ensure the shareholder's right to receive a pro rata share of the net assets of the entity in the event of liquidation, these interests are initially measured at either fair value or in the amount of the corresponding share of the identifiable net assets. This election can be newly exercised for each business combination. If there are other components of interests held by non-controlling shareholders, they are measured at fair value or by applying the requirements of other applicable standards. Liabilities from put options on non-controlling interests are initially measured at their fair value (anticipated acquisition method). As the initial recognition of these liabilities in equity has not yet been conclusively regulated, the equity share of non-controlling interests is reduced or written off regardless of the transfer of risks and rewards of ownership of the shares concerned. This also applies to a liability resulting from a forward.

If contingent consideration is a component of the consideration transferred for the acquisition of the subsidiary, this is measured at fair value as at the acquisition date. Changes arising in the fair value of the contingent consideration are adjusted retrospectively within the measurement period and offset against goodwill accordingly. Corrections to be made within the measurement period for business combinations are adjustments reflecting additional information on facts and circumstances that existed at the acquisition date, but could not yet be conclusively assessed. In principle the measurement period must not exceed one year from the acquisition date.

Changes in the fair value of contingent consideration not measured as an adjustment during the measurement period are accounted for depending on the classification of the contingent consideration. Contingent consideration classified as equity is not remeasured at the end of future reporting periods and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or a liability is measured at the end of future reporting periods, if applicable, in accordance with IFRS 9 Financial Instruments or IAS 37 Provisions, Contingent Liabilities and Contingent Assets. Any resulting gains or losses are recognized in profit or loss (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 business combination achieved in stages, the equity interest previously held in the acquiree by the Company is remeasured at fair value as at the acquisition date. The resulting gains or losses are recognized in profit or loss.

Changes in the value of the equity interests held in the acquiree prior to the acquisition date to be recognized in other comprehensive income are reclassified to profit or loss when the Company obtains control of the acquiree.

If the first-time accounting of a business combination has not yet been completed by the end of a financial year, CGM provides preliminary values. In case new information on circumstances as at the acquisition date arises within the measurement period, the preliminary amounts used are corrected, or if necessary, additional assets and liabilities are recognized.

The results of the subsidiaries acquired or sold during the year are included in the statement of total comprehensive income from the acquisition date or until control is lost.

Purchase price liabilities: changes due to negotiations are reported in the operating result; changes due to contractual adjustments are reported in the financial result.

c) Goodwill
The goodwill resulting from a business combination is recognized at cost less any impairment and reported separately in the consolidated statement of financial position.

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

Cash-generating units (CGUs) to which a part of the goodwill has been allocated are tested for impairment at least annually (IAS 36). If there are specific indications that a CGU is impaired, it is tested for impairment more frequently. If the recoverable amount of a cash-generating unit is less than its book value, the impairment loss is initially allocated to the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss of goodwill is recognized directly in the income statement. Impairment losses recognized on goodwill cannot be reversed in future periods.

In the event of the disposal of a cash-generating unit, the goodwill attributable to it is taken into account in calculating the gain or loss on disposal.

10. Associates and joint ventures

The CGM Group accounts for associates using the equity method. An associate is an entity over which the Group has exercise significant influence (the power to participate in the financial and operating policy decisions of the investee) but not control. Significant influence is presumed when the Group holds 20 % or more of the voting rights, thereby establishing its status as an associate.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Joint control is the contractually agreed sharing of control over an economic arrangement. Joint control exists only when decisions about the relevant activities require the unanimous consent of the parties that collectively control the arrangement. The results, assets and liabilities of joint ventures are included in these financial statements using the equity method.

If 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 share 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 book values of the interest in the associates or jointly controlled entities and is not separately tested for impairment.

The regulations of IFRS 9 are applied accordingly to determine whether there are indications requiring impairment on investments in associates or joint ventures. If an impairment test is to be carried out, the carrying amount of the interest (including goodwill) is tested for impairment in accordance with IAS 36 by comparing the recoverable amount of the investment to the carrying amount of the interest. Any resulting impairment loss is offset against the book value. Impairment losses are not allocated to assets, including goodwill, contained in the interest's carrying amount. If the recoverable amount rises again in subsequent periods, impairment losses are reversed in accordance with IAS 36.

The CGM Group ceases to use the equity method from the date when its investment ceases to be an associate or a joint venture, or the investment is to be classified as held for sale in accordance with IFRS 5. If the CGM Group retains an interest in the former associate or joint venture and this interest is a financial asset as defined by IFRS 9, this interest is measured at fair value on initial recognition. The difference between the previous book value of the associate or the joint venture at the date the equity method ceased to be applied and the fair value of any retained investment and any proceeds from disposing of the part interest in an associate or a joint company is included in the calculation of the gain or loss on disposal.

Furthermore, the CGM Group accounts for all amounts related to these associates or joint ventures previously recognized in other comprehensive income in the manner that would be required if the associate or joint venture had sold the assets or liabilities directly. This means that the 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 remeasure its 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.

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

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

11. 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 economic arrangement. This exists only when decisions about the relevant activities require the unanimous consent of the parties that collectively control the arrangement.

If a CGM Group company carried out activities within the scope of a joint operation, the 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, income and expenses.

If a CGM Group company engages in transactions with a joint operation whereby another CGM Group company is a joint operator, the 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 as at the end of the reporting period.

12. Scope of consolidation

All included financial statements of the CGM Group are prepared according to uniform accounting principles 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 since the previous year:

Changes in scope of consolidation	Germany	Foreign countries	Total
CompuGroup Medical SE and consolidated companies:			
As at January 1, 2019	32	58	90
Additions	4	5	9
Disposals/Mergers	0	6	6
As at December 31, 2019	**36**	**57**	**93**

Two disposals from the scope of consolidation result from the intragroup merger of OWL Computer SL and Farmages Software S.L., both Spain, with Medigest Consultores S.L., Spain. The other disposals result from the liquidation of SF Sanità S.r.l., Italy, CGM Documents USA Inc., USA and CGM Documents Canada Inc., Canada, and from the sale of all shares in CompuGroup Medical Malaysia Sdn Bhd, Malaysia.

The additions result from the CGM Group's acquisitions in the financial year 2019 of Gotthardt Informationssysteme GmbH, Qualitätsverbund MED-IT GmbH & Co. KG, MED-IT Verwaltungs-GmbH (GIS Group) and 10B GmbH, all Germany, Fablab S.r.l., Italy, Qualizorg B.V., Netherlands, MB Invest SAS and Epsilog SAS, both France, and the formation of the new company CompuGroup Medical UK Limited, England. Additions from company acquisitions – together with other business combinations that do not affect the scope of consolidation – are presented in the table below on the basis of the values as at the acquisition date and their effects on the consolidated financial statements.

b) Company acquisitions and disposals

The business combinations that are first time consolidated within CGM Group in the financial year 2019 are shown with their values as at the acquisition date and effects on the consolidated financial statements in the following table:

EUR `000	Total	GIS Group	Fablab S.r.l.	Qualizorg B.V.	CoSi Medical IT GmbH	MB Invest SAS / Epsilog SAS	Other additions
Aquisition date		**01.01.2019**	**01.01.2019**	**14.02.2019**	**01.01.2019**	**27.12.2019**	
Shares acquired in %		**100% / 73,09%**	**100%**	**100%**	**Asset Deal**	**100%**	
Assets acquired and liabilities assumed that were recognized as at the acquisition date							
Non-current assets	**78,731**	**17,815**	**4,598**	**7,593**	**1,035**	**45,903**	**1,787**
Standard and special software	8,131	108	40	1,026	26	6,638	293
Customer relationships	54,091	13,567	4,078	6,302	576	28,154	1,414
Trademark rights	2,616	607	218	133	66	1,555	37
Order backlog	3,918	0	0	0	0	3,918	0
Property and buildings	517	7	0	0	0	510	0
Other equipment, plant and office equipment	3,056	525	58	15	85	2,330	43
Right-of-use assets	5,630	2,386	166	96	281	2,701	0
Other non-current financial assets	135	26	7	4	1	97	0
Deferred tax assets	637	589	31	17	0	0	0
Current assets	**22,359**	**5,284**	**2,822**	**2,610**	**227**	**11,416**	**0**
Inventories	1,671	1,512	0	0	109	50	0
Trade receivables	7,700	2,675	1,438	1,489	48	2,050	0
Other current financial assets	1,335	71	1,189	0	0	75	0
Other current non-financial assets	566	288	48	97	70	63	0
Income tax receivables	246	20	0	0	0	226	0
Cash and cash equivalents	10,841	718	147	1,024	0	8,952	0
Non-current liabilities	**25,851**	**6,834**	**1,275**	**1,961**	**361**	**15,420**	**0**
Pensions	647	139	78	0	80	350	0
Liabilities to banks	203	0	0	0	0	203	0
Lease liabilities	5,327	2,386	166	96	281	2,398	0
Other financial liabilities	29	29	0	0	0	0	0
Deferred tax liabilities	19,645	4,280	1,031	1,865	0	12,469	0
Current liabilities	**21,347**	**6,363**	**2,543**	**2,881**	**108**	**9,450**	**2**
Contract liabilities	9,281	249	83	2,085	14	6,850	0
Trade payables	3,752	869	2,354	116	0	413	0
Liabilities to banks	2,139	2,039	0	0	0	100	0
Other provisions	1,994	607	37	0	94	1,254	2
Lease liabilities	303	0	0	0	0	303	0
Income tax liabilities	69	197	–149	21	0	0	0
Other financial liabilities	2,510	1,935	266	89	0	220	0
Other non-financial liabilities	1,328	496	–48	570	0	310	0
Net assets acquired	**53,863**	**9,873**	**3,602**	**5,361**	**793**	**32,449**	**1,785**
Purchase price paid in cash	107,699	18,006	1,000	7,156	1,461	77,831	2,245
Liabilities assumed (receivable for purchase price reimbursement)	5,728	0	2,603	2,500	0	0	625
of which contingent consideration	5,728	0	2,603	2,500	0	0	625

Fair value of the equity interest in the acquiree held by acquirer immediately before the acquisition date	7,002	3,792	3,210	0	0	0	0
Result on disposal of investment accounted for using the equity method	432	621	–189	0	0	0	0
Remeasurement of old interests in profit or loss in accordance with IFRS 3.42	3,659	2,576	1,083	0	0	0	0
Total consideration transferred	**124,520**	**24,995**	**7,707**	**9,656**	**1,461**	**77,831**	**2,870**
Non-controlling interests	62	62	0	0	0	0	0
Goodwill	**70,716**	**15,184**	**4,105**	**4,295**	**668**	**45,382**	**1,082**
Acquired cash and cash equivalents	10,841	718	147	1,024	0	8,952	0
Purchase price paid in cash	105,698	18,006	0	7,156	461	77,831	2,244
Prepayments on acquisitions	2,000	0	1,000	0	1,000	0	0
Payments for acquistions after date of acquistion	3,108	0	0	0	0	0	3,108
Cash outflow for acquisitions (net)*	**–97,965**	**–17,288**	**147**	**–6,132**	**–461**	**–68,879**	**–5,352**
Effects of the acquisition on CGM's results							
Sales revenues from acquisition date*	31,377	22,464	1,855	3,466	3,592	0	0
Result from acquisition date*	4,437	3,406	281	610	140	0	0
Sales revenue for the financial year (notional acquisition date January 1)	32,070	22,464	1,855	4,159	3,592	0	0
Result for the financial year (notional acquisition date January 1)	4,559	3,406	281	732	140	0	0
Costs to CGM attributable to the acquisition	**218**	**36**	**0**	**0**	**0**	**178**	**5**

* EUR 1,356 thousand of which included in “Acquisition of additional shares from non-controlling interests” in cash flow from financing activities
** Values taken from the single-entity financial statements

Acquisition of Gotthardt Informationssysteme GmbH, Germany

In December 2018, effective in rem from January 1, 2019 owing to the condition precedent of approval by the antitrust authorities, K-Line Praxislösungen GmbH acquired the outstanding shares (72.04 %) in Gotthardt Informationssysteme GmbH, Koblenz, and its equity investment (hereinafter: GIS) by way of successive share purchases.

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 % of the entire German market for Medistar ambulatory information systems will now be served by CGM.

GIS was included in consolidation for the first time as at January 1, 2019. The sales revenue of GIS amounted to around EUR 24,204 thousand in 2018 with EBITDA of EUR 5,449 thousand. The total consideration to be paid, after purchase price reductions, amounts to EUR 18,006 thousand and was paid in full as at the reporting date.

Based on the current estimate, the preliminary goodwill of EUR 15,184 thousand mainly results from the expansion of sales channels and the associated upselling opportunities in the AIS business segment. Some of the recognized goodwill will be deductible for income tax purposes in the future.

The preliminary fair value of the acquired intangible assets, not including goodwill, amounts to EUR 14,174 thousand and relates to trademark rights and customer relationships. For the receivables acquired in the company acquisition, the fair value is the book value assumed as at the acquisition date based on the expected term of the receivables and the best possible estimate of the addition of contractually fixed cash flows. Following an initial analysis of the financial information available at the time of initial recognition, no uncollectable receivables were identified.
Deferred tax liabilities of EUR 4,280 thousand were recognized on the fair value of the acquired intangible assets not including goodwill. Deferred tax assets on hidden liabilities are recognized in the amount of EUR 589 thousand. No contingent liabilities or contingent assets have been identified to date.

GIS is not a listed company, hence the fair value of the investment was derived from a company valuation. A control premium was factored into the pricing of the second tranche. In our opinion, the control premium paid would also have been paid for the shares from the first tranche in they had been acquired in a single transaction. On a preliminary basis, the transitional consolidation (acquisition achieved in stages with transfer of control) results in a fair value step-up of EUR 2,576 thousand, which was recognized in profit or loss.

Acquisition of Fablab S.r.l., Italy

In December 2018, effective in rem from January 1, 2019, CompuGroup Medical Italia SpA acquired the outstanding shares (25 %) in Fablab S.r.l., Trieste, Italy (hereinafter: Fablab) by way of successive share purchases.

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, 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 thus has 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.

Fablab was included in consolidation for the first time as at January 1, 2019. The sales revenue of Fablab amounted to around EUR 2,289 thousand in 2018 with EBITDA of EUR 200 thousand. The total consideration to be paid amounts to EUR 3,603 thousand, EUR 1,000 thousand of which was already paid as at the reporting date, and consists of a fixed component of EUR 1,000 thousand and a variable component of EUR 2,603 thousand.

Based on the current estimate, the preliminary goodwill of EUR 4,106 thousand mainly results from the expertise of the employees, the strategic positioning in the healthcare market and unique access to decision-makers in the healthcare sector in Italy. Recognized goodwill is not deductible for income tax purposes.

The preliminary fair value of the acquired intangible assets, not including goodwill, amounts to EUR 4,296 thousand and relates to trademark rights and customer relationships. For the receivables acquired in the company acquisition, the fair value is the book value assumed as at the acquisition date based on the expected term of the receivables and the best possible estimate of the addition of contractually fixed cash flows. Following an initial analysis of the financial information available, no uncollectable receivables were identified.

Deferred tax liabilities of EUR 1,031 thousand are recognized on the fair value of the acquired intangible assets not including goodwill. No contingent liabilities or contingent assets have been identified to date.

Fablab is not a listed company, hence the fair value of the investment was derived from a company valuation. 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 (acquisition achieved in stages with transfer of control) results in a fair value step-up of EUR 1,083 thousand, which was recognized in profit or loss.

Acquisition of the assets of CoSi Medical IT GmbH, Germany

In December 2018, effective in rem from January 1, 2019, Stock Informatik Verwaltungs GmbH, a wholly owned subsidiary of K-Line Praxislösungen GmbH, acquired the "Medistar Vertrieb und Service" business area of CoSi Medical IT GmbH in a business combination by way of a transfer of net assets (asset deal).

The "Medistar Vertrieb und Service" business area 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 doctors in 921 medical practices/medical service centers.

The business area was included in consolidation for the first time as at January 1, 2019. The sales revenue of CoSi amounted to around EUR 3,575 thousand in 2018 with EBITDA of EUR 254 thousand. The total consideration to be paid amounts to EUR 1,461 thousand and was paid in full as at the reporting date.

The net assets acquired amount to EUR 793 thousand. Based on the current estimate, the preliminary goodwill of EUR 668 thousand mainly results 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. Recognized goodwill will be deductible for income tax purposes in the future.

The preliminary fair value of the acquired intangible assets, not including goodwill, amounts to EUR 642 thousand and relates to trademark rights and customer relationships.

No contingent liabilities or contingent assets have been identified to date.

Acquisition of Qualizorg B.V., Netherlands

In February 2019, CompuGroup Medical Holding Coöperatief U.A., a subsidiary of CompuGroup Medical SE (99.98 %) and CompuGroup Medical Deutschland AG (0.02 %), acquired 100 % of the shares in Qualizorg B.V. Deventer, the Netherlands (hereinafter: Qualizorg),.

The company operates 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) or Patient Reported Outcome Measurements (PROMs) in primary healthcare.

Qualizorg was included in consolidation for the first time in February 2019. The sales revenue of Qualizorg amounted to around EUR 4,136 thousand in 2018 with EBITDA of EUR 1,793 thousand. The total consideration to be paid amounts to EUR 9,656 thousand, EUR 7,156 thousand of which was already paid as at the reporting date. In addition, contingent purchase price payments of EUR 2,500 thousand are expected by 2021.

Based on the current estimate, the preliminary goodwill of EUR 4,296 thousand mainly results from the positive market-strategic effects expected from the acquired expertise and from the synergy effects arising within the Group as a result of the integration of Qualizorg into the Group. Recognized goodwill is not deductible for income tax purposes.

The preliminary fair value of the acquired intangible assets, not including goodwill, amounts to EUR 7,461 thousand and relates to software, trademark rights and customer relationships. For the receivables acquired in the company acquisition, the fair value is the book value assumed as at the acquisition date based on the expected term of the receivables and the best possible estimate of the addition of contractually fixed cash flows. Following an initial analysis of the financial information available, no uncollectable receivables were identified.

Deferred tax liabilities of EUR 1,865 thousand are recognized on the fair value of the acquired intangible assets not including goodwill. No contingent liabilities or contingent assets have been identified to date.

The valuation of the company acquisition of Qualizorg was performed on a preliminary basis, due to partly incomplete or not yet fully evaluated information of the acquired customer relationships and trademark rights.

Acquisition of MB Invest SAS/Epsilog SAS, France

In December 2019, CompuGroup Medical SE acquired 100 % of the shares in MB Invest SAS (hereinafter: MB Invest), which in turn holds 100 % of the shares in Epsilog SAS (hereinafter Epsilog), Castries, France.

The company is the leading provider of healthcare IT with a focus on physiotherapists and outpatient care in France. It currently serves around 44,000 customers.

MB Invest and Epsilog were included in consolidation for the first time as at December 31, 2019. The sales revenue of Epsilog amounted to around EUR 14,541 thousand in 2018 with EBITDA of EUR 5,140 thousand. The total consideration to be paid amounts to EUR 77,830 thousand and was already paid in full as at the reporting date.

Based on the current estimate, the preliminary goodwill of EUR 45,382 thousand mainly results from the expansion of sales channels in France and the associated upselling opportunities in the AIS business segment, and from the synergy effects arising within the Group as a result of the integration of Epsilog into the Group. Recognized goodwill is not deductible for income tax purposes.

The preliminary fair value of the acquired intangible assets, not including goodwill, amounts to EUR 40,223 thousand and relates to software, trademark rights, the order backlog and customer relationships. For the receivables acquired in the company acquisition, the fair value is the book value assumed as at the acquisition date based on the expected term of the receivables and the best possible estimate of the addition of contractually fixed cash flows. Following an initial analysis of the financial information available, no uncollectable receivables were identified.

Deferred tax liabilities of EUR 12,469 thousand are recognized on the fair value of the acquired intangible assets not including goodwill. No contingent liabilities or contingent assets have been identified to date.

The valuation of the company acquisition of Epsilog was performed on a preliminary basis, due to partly incomplete or not yet fully evaluated information of the acquired software, order backlog, customer relationships and trademark rights.

Other additions

The remaining additions include the following business combinations:

Business Combination	Acquisition date	Shares acquired in %	Description of how control was achieved	Reasons for the business combination
Eurosof2000 S.L.U.	April 25, 2019	n. a.	Asset Deal	Extension of the customer platform in the PCS business segment in Spain and expansion of market reach
en-software GmbH	October 15, 2020	n. a.	Asset Deal	Extension of the customer platform in the AIS business segment in Austria and expansion of market reach
Viani Northeim GmbH & Co. KG	October 23, 2019	n. a.	Asset Deal	Extension of the customer platform in the AIS business segment in Germany and expansion of market reach
Barista Software BVBA	August 15, 2017	100%	Annual payment of the price of contingent consideration in the form of an earn-out agreement resulting from the acquisition of 100 % of shares in 2017	Extension of the customer platform in the AIS business segment in Belgium and expansion of market reach
n-design Gesellschaft für systematische Gestaltungen mbH	July 10, 2018	95%	Remaining purchase price payment in 2019 resulting from the acquisition of 95 % of shares in 2018	Positive effects from the acquisition of development know-how and innovative strength
Innomed Gesellschaft für medizinische Softwareanwendungen GmbH	November 20, 2009	80%	Payment of the outstanding price to exercise a put option for the acquisition of a further 9.9 % of the shares in 2018	Expansion of the customer platform in the AIS business segment in Austria and establishment of a strong sales and service structure
factis GmbH	August 8, 2018	100%	Remaining purchase price payment in 2019 resulting from the acquisition of 100 % of shares in 2018	Extension of the customer platform in the HIS business segment in Germany and expansion of market reach
LMZ-Soft AG	Novmber 1, 2015	100%	Purchase price payment in 2019 resulting from the acquisition of 100 % of the shares in 2015 at above the amount that is undisputed despite legal disputes	Extension of the customer platform in the HIS business segment in Germany and expansion of market reach
Farmages Software S.L.	November 20, 2017	100%	Remaining purchase price payment in 2019 resulting from the acquisition of 100 % of shares in 2017	Extension of the customer platform in the PCS business segment in Spain and expansion of market reach
Compufit BVBA	March 23, 2015	100%	Annual payment of the price of contingent consideration in the form of an earn-out agreement resulting from the acquisition of 100 % of shares in 2015	Extension of the customer platform in the AIS business segment in Belgium and expansion of market reach
IS Informatiksysteme Gesellschaft für Informationstechnik GmbH	June 30, 2011	100%	Business combination achieved in stages without status change (shareholding increased from 60% to 100 %)	Extension of the customer platform in the PCS business segment in Germany and expansion of market reach
Vega Informatica e Farmacia S.r.l.	August 31, 2016	80%	Business combination achieved in stages without status change (shareholding increased from 75% to 80 %)	Extension of the customer platform in the PCS business segment in Italy and expansion of market reach

Acquisition of the assets of Eurosof2000 S.L.U., Spain

In April 2019, OWL Computer S.L.U., a wholly owned subsidiary of Medigest Consultores S.L., acquired the business operations of Eurosof2000 S.L.U. (hereinafter: Eurosof) in a business combination by way of a transfer of net assets (asset deal).

Eurosof2000 is an SME based in Badajoz, a medium-sized city and the capital of the Extremadura region in southeast Spain. Farmalog software is currently used in 390 pharmacies. In Spain, pharmacy software solutions in each region require certification by the local pharmacist to connect to the e-prescription servers. The Farmalog e-prescription module is already approved and is used in pharmacies in four regions of Spain.

The business area was included in consolidation for the first time in May 2019. The preliminary sales revenue of Eurosof amounted to around EUR 893 thousand in 2018 with EBITDA of EUR 334 thousand. The total consideration to be paid amounts to EUR 2,100 thousand, EUR 1,680 thousand of which was already paid as at the reporting date. In addition, contingent purchase price payments of EUR 420 thousand are expected by 2021.

The net assets acquired amount to EUR 1,540 thousand. Based on the current estimate, the preliminary goodwill of EUR 560 thousand mainly results from the expected effects of the Group expanding its market reach in Spain and the expansion of sales channels. Recognized goodwill will be deductible for income tax purposes in the future.

The preliminary fair value of the acquired intangible assets, not including goodwill, amounts to
EUR 1,544 thousand and relates to software, trademark rights and customer relationships.
No contingent liabilities or contingent assets have been identified to date.

The valuation of the Eurosof asset deal was performed on a preliminary basis, due to partly incomplete or not yet fully evaluated information of the acquired software, customer relationships and trademark rights.

Acquisition of the assets of en-software GmbH, Austria
In October 2019, CompuGroup Medical Deutschland AG, a wholly owned subsidiary of CompuGroup Medical SE, acquired the business operations of en-software GmbH (hereinafter: en-software) in a business combination by way of a transfer of net assets (asset deal).

en-software GmbH is an SME in the IT sector (software development, IT consulting) that primarily offers safety management solutions. The product portfolio also comprises various small products such as such as timekeeping systems and interface programs.

The business area was included in consolidation for the first time in November 2019. The sales revenue of en-software amounted to around EUR 629 thousand in 2018 with EBITDA of EUR 339 thousand. The total consideration to be paid amounts to EUR 248 thousand, EUR 186 thousand of which was already paid as at the reporting date. The outstanding purchase price of EUR 62 thousand will be paid at the start of 2020.

In the purchase agreement with the former shareholder, which will provide contractually fixed consulting services for the company in the future, contains earn-out agreements that will be expensed in profit or loss over a period of three years in accordance with IFRS 3 B55 a) and paid out annually depending on the achievement of targets.

The net assets acquired amount to EUR 100 thousand. Based on the current estimate, the preliminary goodwill of EUR 148 thousand mainly results from the expected effects of the Group expanding sales channels and the workforce taken on. Recognized goodwill will be deductible for income tax purposes in the future.

The preliminary fair value of the acquired intangible assets, not including goodwill, amounts to EUR 100 thousand and relates to customer relationships.

No contingent liabilities or contingent assets have been identified to date.

The valuation of the en-software asset deal was performed on a preliminary basis, due to partly incomplete or not yet fully evaluated information of the acquired customer relationships.

Acquisition of the assets of Viani Northeim GmbH & Co. KG, Germany
In October 2019, Turbomed Vertriebs- und Service GmbH, a wholly owned subsidiary of CompuGroup Medical Deutschland AG, acquired the business operations of Viani Northeim GmbH & Co. KG (hereinafter: Viani) in a business combination by way of a transfer of net assets (asset deal).

As a CGM Turbomed sales and service partner, Viani Northeim GmbH & Co. KG serves physicians in private practice with training plus hardware and software in the Lower Saxony region.

The business area was included in consolidation for the first time in November 2019. The sales revenue of Viani amounted to around EUR 936 thousand in 2018 with EBITDA of EUR 142 thousand. The total consideration to be paid, after purchase price reductions, amounts to EUR 493 thousand, EUR 350 thousand of which was already paid as at the reporting date. The contractually outstanding purchase price payments of EUR 143 thousand are reported under current and non-current purchase price liabilities as at the reporting date.

The net assets acquired amount to EUR 143 thousand. Based on the current estimate, the preliminary goodwill of EUR 350 thousand results in particular from the expansion of sales channels and the associated upselling opportunities in the AIS business area. Recognized goodwill will be deductible for income tax purposes in the future.

The preliminary fair value of the acquired intangible assets, not including goodwill, amounts to EUR 100 thousand and relates to customer relationships.

No contingent liabilities or contingent assets have been identified to date.

The valuation of the Viani asset deal was performed on a preliminary basis, due to partly incomplete or not yet fully evaluated information of the acquired customer relationships.

Acquisition of 10B GmbH, Deutschland
In November 2019, CompuGroup Medical SE acquired 100 % of shares in the shelf company 10B GmbH for a purchase price of EUR 29 thousand.

Acquisition of Barista Software BVBA, Belgium
In 2017, CompuGroup Medical Belgium BVBA, a subsidiary of CompuGroup Medical SE (99 %) and CompuGroup Medical Deutschland AG (1 %), acquired 100 % of the shares in Barista Software BVBA, Hasselt, Belgium. In addition to an initially agreed fixed purchase price, which had already been paid out on December 31, 2017, contingent consideration in form of earn-out payments have been agreed in the purchase agreement. These provide for an additional annual purchase price payment, which is calculated on the basis of fixed defined sales revenues for subsequent years. The amount expected to be paid out under the earn-out agreements is EUR 754 thousand in total and has a remaining term of three years. In 2019, the purchase price payment for the past financial year 2018 was made in the amount of EUR 187 thousand. The outstanding purchase price payments will continue to be recognized under current and non-current purchase price liabilities.

Acquisition of n-design Gesellschaft für systematische Gestaltungen mbH, Germany
In 2018, CompuGroup Medical SE had acquired 95 % of the shares in n-design Gesellschaft für systematische Gestaltungen mbH, Cologne, Germany. The purchase price was EUR 1,650, EUR 1,150 thousand of which had already been paid as at December 31, 2018. The outstanding purchase price of EUR 500 thousand was paid in the first quarter of 2019.

Acquisition of Innomed Gesellschaft für medizinische Softwareanwendungen GmbH, Austria
In financial year 2018, the put options of the non-controlling shareholders for 9.9 % of the shares in Innomed Gesellschaft für medizinische Softwareanwendungen GmbH, were exercised. There was an exercise price of EUR 2,502 thousand based on defined revenue figures, EUR 2,263 thousand of which was already paid as at December 31, 2018. The outstanding purchase price of EUR 239 thousand was paid in the first quarter of 2019.

Acquisition of factis GmbH, Germany
In 2018, CGM Clinical Deutschland GmbH, a wholly owned subsidiary of CompuGroup Medical SE, had acquired 100 % of the shares in factis GmbH, Freiburg im Breisgau, Germany. The purchase price was EUR 3,450 thousand, EUR 3,105 thousand of which had already been paid as at December 31, 2018. After deduction of a purchase price reduction, the outstanding purchase price of EUR 301 thousand was paid out as at June 30, 2019.

Acquisition of LMZ-Soft AG, Germany
In 2015, CGM Clinical Deutschland GmbH, a wholly owned subsidiary of CompuGroup Medical SE, had acquired 100 % of the shares in LMZ-Soft AG, Saalfeld, Germany. An amount of EUR 93 thousand was paid to the seller as at the reporting date. This is undisputed despite legal disputes regarding the amount of the outstanding purchase price liability. The legal dispute had not yet been resolved by the reporting date.

Acquisition of Farmages Software S.L., Spain
In November 2017, Medigest Consultores S.L., a wholly owned subsidiary of CompuGroup Medical SE, acquired 52 % of the shares in Farmages Software S.L., Spain. The purchase price was EUR 944, EUR 804 thousand of which had already been paid as at December 31, 2018. The purchase price component of EUR 140 thousand recognized under current purchase price liabilities as at December 31, 2018 was paid out in financial year 2019.

In addition, a call and put option were agreed for the acquisition of the remaining 48 % of the shares, which was exercised in 2018 and paid in the amount of EUR 550 thousand as at December 31, 2018. The outstanding purchase price liability of EUR 268 thousand was paid in financial year 2019.

Acquisition of Compufit BVBA, Belgium
Contractually agreed earn-out clause with an annual earn-out of EUR 50 thousand and a term of four years.

Acquisition of IS Informatiksysteme GmbH, Germany
In June 2019, Lauer-Fischer GmbH acquired the remaining 48 % of shares in IS Informatiksysteme GmbH for a purchase price of EUR 1,100 thousand. The former shareholder was also paid the profit attributable from financial year 2019.

Acquisition of Vega Informatica e Farmacia S.r.l., Italy
In May 2019, CompuGroup Medical Italia Holding S.r.l. acquired the remaining 4.5 % of shares in Vega Informatica e Farmacia S.r.l. for a purchase price of EUR 250 thousand. Furthermore, call and put options were agreed for the acquisition of a further 10 % of shares. These options are recognized as current purchase price liabilities at a value of EUR 550 thousand as at the reporting date.

Change in purchase price allocation
The purchase price allocation for La-Well Systems GmbH, Germany, acquired in 2018, was completed in 2019. This resulted in the following changes to the purchase price allocation:

Change in purchase price allocation	Before change in purchase price allocation	Change in purchase price allocation	After change in purchase price allocation
Non-current assets	1,388	0	1,388
Current assets	142	0	142
Non-current liabilities	418	0	418
Current liabilities	79	0	79
Net assets acquired	1,033	0	1,033
Total consideration transferred	2,633	26	2,659
Goodwill	1,600	26	1,626

c) Subsidiaries included in the scope of consolidation

	Company name		Registered office	Share of capital/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	27)	Koblenz	100.00
4	CGM Immobilien Stuttgart GmbH	6)	Stuttgart	100.00
5	CompuGroup Medical Managementgesellschaft mbH		Bochum	100.00
6	docmetric GmbH (formerly: ifap Institut für Unternehmensberatung und Wirtschaftsdienste im Gesundheitswesen GmbH)	4)	Koblenz	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	100.00
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	CGM Medistar Systemhaus GmbH (formerly: K-LINE Praxislösungen GmbH)	3)	Koblenz	100.00
14	CGM Mobile Software GmbH (formerly: Privadis GmbH)	3)	Koblenz	100.00
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)	Koblenz	100.00

Company name			Registered office	Share of capital/voting rights in %
25	CGM Mobile Services GmbH	40)	Koblenz	100.00
26	CoSi medical IT GmbH (formerly: 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 Breisgau	100.00
33	Gotthardt Informationssysteme GmbH	42)	Koblenz	100.00
34	Qualitätsverbund MED-IT GmbH & Co. KG	45)	Osnabrück	100.00
35	MED-IT Verwaltungs-GmbH	45)	Osnabrück	100.00
36	10B GmbH		Bonn	100.00
Subsidiaries in the region Central Eastern Europe (CEE)				
37	CompuGroup Medical CEE GmbH		Vienna/Austria	100.00
38	CGM Arztsysteme Österreich GmbH	10)	Wiener Neudorf/Austria	100.00
39	HCS Health Communication Service Gesellschaft m.b.H.	10)	Steyr/Austria	100.00
40	INNOMED Gesellschaft für medizinische Softwareanwendungen GmbH	10)	Wiener Neudorf/Austria	80.20
41	Intermedix Österreich GmbH	10)	Wiener Neudorf/Austria	100.00
42	CGM Clinical Österreich GmbH	10)	Steyr/Austria	100.00
43	CompuGroup Medical Schweiz AG	10)	Bern/Switzerland	100.00
44	CompuGroup Medical Polska Sp. z o.o.		Lublin/Poland	100.00
45	CompuGroup Medical Ceská republika s.r.o.	11)	Prague/Czech Republic	100.00
46	Intermedix Ceská republika s.r.o.	12)	Prague/Czech Republic	100.00
47	CompuGroup Medical Slovensko s.r.o.	12)	Bratislava/Slovakia	100.00
Subsidiaries in the region North Europe (NER)				
48	CompuGroup Medical Norway AS	7)	Lysaker/Norway	100.00
49	Profdoc AS		Lysaker/Norway	100.00
50	CompuGroup Medical Sweden AB	7)	Uppsala/Sweden	100.00
51	Lorensbergs Communication AB	26)	Gothenburg/Sweden	100.00
52	Lorensbergs Holding AB	7)	Gothenburg/Sweden	100.00
53	CompuGroup Medical LAB AB	8)	Borlänge/Schweden	100.00
54	CompuGroup Medical Denmark A/S	7)	Aarhus/Denmark	100.00
55	CompuGroup Medical Belgium BVBA	15)	Wetteren/Belgium	100.00
56	CompuGroup Medical Holding Coöperatief U.A.	20)	Echt/Netherlands	100.00
57	CompuGroup Medical Nederland B.V.	21)	Echt/Netherlands	100.00
58	Compufit BVBA	23)	Ostend/Belgium	100.00
59	Barista Software BVBA	23)	Hasselt/Belgium	100.00
60	ATX Advanced Technology Extended SA	23)	Wetteren/Belgium	100.00
61	Qualizorg B.V.	21)	Deventer/Netherlands	100.00
62	CompuGroup Medical UK Limited		London/United Kingdom	100.00
Subsidiaries in the region South Europe (SER)				
63	CompuGroup Medical Solutions SAS	16)	Montpellier/France	100.00
64	Intermedix France SAS	16)	Nanterre/France	100.00

Company name			Registered office	Share of capital/voting rights in %
65	CompuGroup Medical France SAS		Nanterre/France	100.00
66	Imagine Assistance S.a.r.l.		Soulac sur mer/France	100.00
67	Imagine Editions SAS		Soulac sur mer/France	100.00
68	CGM LAB France SAS	27)	Nanterre/France	100.00
69	CompuGroup Medical Italia SpA		Molfetta/Italy	100.00
70	CompuGroup Medical Italia Holding S.r.l.		Milan/Italy	100.00
71	CGM XDENT Software S.r.l.	17)	Ragusa/Italy	90.00
72	Studiofarma S.r.l.	24)	Brescia/Italy	100.00
73	Qualità in Farmacia S.r.l.	24)	Novara/Italy	100.00
74	Farloyalty s.r.l.	25)	Brescia/Italy	51.00
75	farma3tec S.r.l.	24)	Milan/Italy	80.00
76	Mondofarma S.r.l.	30)	Chiusi/Italy	100.00
77	Medicitalia S.r.l.	17)	Milan/Italy	90.00
78	Vega Informatica e Farmacia Srl	24)	Pavia/Italy	79.50
79	CGM LAB Belgium SA	28)	Barchon/Belgium	100.00
80	Intermedix ESPANA SL		Madrid/Spain	100.00
81	Medigest Consultores S.L.		Madrid/Spain	100.00
82	CompuGroup Medical Bilgi Sistemleri A.S.	14)	Istanbul/Turkey	100.00
83	EPSILOG SAS	19)	Castries/France	100.00
84	MB Invest SAS		Aix-en-Provence/France	100.00
85	Fablab S.r.l.	17)	Milan/Italy	100.00
Subsidiaries in the region United States und Canada (USC)				
86	CompuGroup Holding USA, Inc.		Delaware/USA	100.00
87	CompuGroup Medical, Inc.	18)	Delaware/USA	100.00
Subsidiaries in the region "Other" (OTH)				
88	CompuGroup Medical South Africa (Pty) Ltd.	13)	Cape Town/South Africa	100.00
89	CompuGroup Medical Software GmbH	3)	Koblenz	100.00
90	UCF Holding S.a.r.l.	3)	Luxembourg/Luxembourg	100.00
91	CGM Software RO SRL	36)	Iasi/Romania	100.00
92	CompuGroup Medical Singapore PTE.LTD.	46)	Singapore/Singapore	100.00
93	Intermedix SA (PTY) LTD	32)	Cape Town/South Africa	100.00
Joint ventures				
94	MGS Meine Gesundheit Services GmbH	33)	Koblenz	37.50
Associates				
95	Mediaface GmbH		Hamburg	49.00
96	AxiService Nice S.a.r.l.	16)	Nice/France	28.00
97	Technosante Nord-Picardie SAS	16)	Lille/France	20.00
98	Smoove Software S.r.l.	37)	Milan/Italy	47.60
99	R56+ Regionalmarketing GmbH & Co. KGaA		Koblenz	20.00
Other equity investments				
100	AES Ärzteservice Schwaben GmbH	3)	Neckarsulm	10.00
101	ic med EDV-Systemlösungen für die Medizin GmbH	3)	Halle	10.00
102	Savoie Micro S.a.r.l.	16)	Meythet/France	10.00

Company name		Registered office	Share of capital/voting rights in %
103 Technosante Toulouse S.A.S.	16)	Toulouse/France	10.00
104 Consalvo Servizi S.r.l.	25)	Salerno/Italy	5.00
105 Daisy-NET S.c.a r.l.	17)	Bari/Italy	0.50
106 Practice Perfect Medical Software (PTY) Limited	32)	Hillcrest/South Africa	15.00
107 Better@Home Service GmbH	44)	Berlin	18.60
108 Conai System	25)	Rome/Italy	1.00
109 DrugAgency a.s.	12)	Praha/Czech Republic	10.00

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 (formerly: 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 MB Invest SAS
20) Subsidiary of CompuGroup Medical SE (99,98 %) and CompuGroup Medical Deutschland AG (0,02 %)
21) Subsidiary of CompuGroup Medical Holding Coöperatief U.A.
22) Subsidiary of CGM LAB Deutschland GmbH
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 Lorensbergs Holding AB
27) Subsidiary of CGM LAB International GmbH
28) Subsidiary of CGM LAB International GmbH (99,9 %) and CompuGroup Medical SE (0.1 %)
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.
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 CGM Medistar Systemhaus GmbH
43) Subsidiary of CompuGroup Medical Software GmbH
44) Subsidiary of CompuGroup Medical Research GmbH
45) Subsidiary is in liquidation
46) In liquidation

Note: The companies INNOMED Gesellschaft für medizinische Softwareanwendungen GmbH, CGM XDENT Software S.r.l., farma3tec S.r.l., n-design Gesellschaft für systematische Gestaltungen mbH and La-Well Systems GmbH are included in the consolidated financial statements at 100% through existing put-/ call options without non-controlling interest.

Note: The company Vega Informatica e Farmacia is included in the consolidated financial statements with non-controlling interests of 10 % due to option agreements.

13. Debt consolidation

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

14. Consolidation of results

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

15. Foreign currency translation

In preparing the financial statements of each individual Group company, business 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 that equals the currency of the primary business environment. At the end of each reporting period, monetary items in foreign currencies are converted with the effective closing 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 measured at historical costs are translated at the exchange rate as at the date of their initial recognition.

Exchange rate differences on monetary items are recognized through profit or loss in the period in which they occur. This does not apply to:

+ 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 manufacturing costs if they represent adjustments to the interest paid on borrowings denominated in foreign currency. Such exchange rate differences had no effect on these consolidated financial statements of CGM as there are no areas to which these regulations relate.
+ Exchange rate differences from business transactions that were entered to hedge against certain foreign currency risks. Such exchange rate differences had no effect on these 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 euro (EUR) using the exchange rates prevailing as at the end of the reporting period. Income and expenses are translated at the average rate for the period. Strong fluctuations in foreign currencies, which would trigger a translation of income and expenses at the time of a transaction, are not given to these consolidated financial statements. Equity is translated at historic 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 at 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 the CGM Group:

EUR 1 is equal to	Closing rates Dec 31, 2019	Closing rates Dec 31, 2018	Average rate Jan 1 to Dec 31 2019	Average rate Jan 1 to Dec 31 2018
Denmark (DKK)	7.47	7.47	7.47	7.45
Canada (CAD)	1.46	1.56	1.49	1.53
Malaysia (MYR)	4.60	4.73	4.64	4.76
Norway (NOK)	9.86	9.95	9.85	9.60
Poland (PLN)	4.26	4.30	4.30	4.26
Romania (RON)	4.78	4.66	4.75	4.65
Sweden (SEK)	10.45	10.25	10.59	10.26
Switzerland (CHF)	1.09	1.13	1.11	1.16
Singapore (SGD)	1.51	1.56	1.53	1.59
South Africa (ZAR)	15.78	16.46	16.18	15.62
Czech Republic (CZK)	25.41	25.72	25.67	25.65
Turkey (TRY)	6.68	6.06	6.36	5.71
USA (USD)	1.12	1.15	1.12	1.18

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

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

16. 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 cost less accumulated amortization and impairment. Amortization is recognized in profit or loss on a straight-line basis over the expected useful life of the asset. Both the estimated useful life and the amortization method are reviewed at the end of each reporting period. All changes resulting from reassessments are taken into account prospectively.

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

Currently, the 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 acquisition date. Amortization is recognized in profit or loss on a straight-line basis over the expected useful life of the asset. Both the estimated useful life and the amortization method are reviewed at the end of each reporting period. All changes resulting from reassessments are taken into account 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
Brands	1-20
Order backlogs	1-3

Amortization, impairment and reversals of impairment on intangible assets are recognized in the income statement under Amortization of intangible assets.

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

b) Capitalized inhouse services

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

An inhouse generated intangible asset resulting from development activities or the development phase of an internal software development project is 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 and 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 inhouse generated intangible asset is capitalized for the first time at the total amount of all expenses incurred from the day on which the intangible asset fulfills all the above conditions. As long as an inhouse generated intangible asset cannot be capitalized or is not yet available, development costs are recognized as expenses in the period in which they are incurred.

Similar to acquired intangible assets, inhouse generated intangible assets are measured at historical costs less accumulated amortization and impairment 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 essentially been completed to prepare the asset for its intended use or sale.

Inhouse generated intangible assets (generally software) are amortized on a straight-line basis over their estimated useful life of two to twenty years. Intangible assets not yet completed are tested for impairment annually. Impairment is recognized if necessary.

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

For the purpose of the impairment test, goodwill is allocated on acquisition to the cash-generating units (or groups thereof) of the CGM Group that are expected to be able to utilize 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 book value of the cash-generating units on which the goodwill is based is compared to their recoverable amount. If the book value of the cash-generating unit 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 book value of the CGU to which the goodwill is allocated in future periods, no reversals of impairment losses on goodwill can be recognized. Impairment of goodwill is recognized in the income statement under Amortization of intangible assets.

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

d) Impairment of property, plant, and equipment and intangible assets (not including goodwill)
As at each reporting date, the CGM Group reviews the book values of its property, plant and equipment and intangible (depreciable) assets to determine whether they need to be impaired. If there are such indications, the recoverable amount of the asset is calculated in order to determine the amount of the potential impairment. 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 cash-generating unit) is less than the book value, the book value of the asset (or of the cash-generating unit) must be reduced to the recoverable amount. The impairment is recognized immediately in profit or loss.

If impairment is subsequently reversed, the book value of the asset (or CGU) is increased to the newly estimated recoverable amount.
The increase in the book value 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 in profit or loss.

e) Derecognition of intangible assets
An intangible asset is written off when it is disposed of or when no further economic benefits are expected from its use or disposal. The gain or loss from the write-off of an intangible asset, measured as the difference between the net realizable value and the book value of the asset, is recognized in the income statement when the asset is written off. They are reported under Other income or Other expenses.

17. 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 purchase or manufacturing costs 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 costs 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 acquisition or production costs 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 depreciated. Subsequent expenses are only capitalized if it is probable that the future economic benefits associated with the expenses can be obtained by the Group.

Estimated useful life for the current and comparison years of significant property, plant and equipment: Buildings: up to 60 years.

Depreciation is calculated using the straight-line method over the time period of estimated useful lives of the assets, less their estimated residual values, to depreciate the historical costs of property, plant and equipment. Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if necessary.

b) Other fixed assets and office equipment
Other fixed assets and office equipment are reported at historical cost less accumulated depreciation and impairment losses.

Depreciation is calculated using the straight-line method, whereby the cost 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 the end of each reporting period. 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 life for the current and comparison years of significant property, plant and equipment: Other fixed assets and office equipment: 3 to 21 years

Depreciation and 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 EUR 8,317 thousand. The following components were accounted for and depreciated separately as major components of the company aircraft with different useful lives:
+ Engines (over 11 years);
+ Interior equipment (over 10 years);
+ Aircraft not including engines and interiors (over 21 years).

18. 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 time period 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 borrowing costs eligible for capitalization. Other borrowing costs are recognized in profit or loss in the same period in which they are incurred.

19. Investments in companies accounted for using the equity method
Investments in companies accounted for using the equity method include associates and joint ventures.

a) Associates
Associates are accounted for using the equity method in accordance with IAS 28, Investments in Associates and Joint Ventures.

Recognition as at the acquisition date is at cost. The book values of investments also include the goodwill identified at the acquisition date less impairment. Distributions by investments are recognized in the year the dividend is distributed as a reduction of their book value in other comprehensive income. The Company's share of the profit or loss of associates in each period is recognized in profit or loss.

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 when a triggering event occurs (in particular, conspicuous 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 as at the acquisition date is at cost. The book values of investments also include the goodwill identified at the acquisition date less impairment. Distributions by investments are recognized in the year the dividend is distributed as a reduction of their book value in other comprehensive 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 when a triggering event occurs (in particular, conspicuous changes in results).

20. 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 and 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 on initial recognition.

Measurement 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.

Measurement of a financial asset at fair value through profit and loss

A financial asset that is not measured at amortized cost or at fair value through equity in other comprehensive income is measured at fair value through profit and loss. The CGM Group does not have any financial assets that are classified as and measured at fair value through equity. Financial assets at fair value through profit and 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.

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 and loss, the transaction costs are recognized in profit or loss. Subsequent measurement of financial assets is based on the measurement categories described under a).

c) Impairment of financial assets

The CGM Group has four types of financial assets that are subject to the new model of expected credit losses:
a.) trade receivables;
b.) contract assets;
c.) other financial assets; and
d.) financial instruments at amortized cost.

For further information on the impairment of financial assets to which the Group is exposed, see note 80. 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 statement of financial position 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 at the reporting date.

21. Inventories

Inventories are measured at the lower of purchase or manufacturing costs or net realizable value. Production costs include direct material costs and, if applicable, direct production costs and overheads attributable to production. The book values 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 book value of the asset through cost of sales.

22. 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 80. Credit risk.

23. Cash and bank deposits

Cash and bank balances are measured at cost. They comprise cash at hand, bank balances available on call and other current, 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.

24. Assets held for sale and discontinued operations

The CGM Group classifies an individual non-current asset as held for sale if the inherent book value 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 book value 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. The equity method is no longer applied to the investment held for sale 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 recognizes 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 the continued application of the equity method.

25. Provisions for post-employment benefits

For defined benefit plans, the cost of providing benefits is determined using the projected unit credit method, whereby an actuarial valuation is performed at the end of each reporting period. 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.

Revaluation effects consisting of actuarial gains and losses, changes resulting from the application of the asset ceiling and the return on plan assets (not including interest on the net debt) are recognized directly in other comprehensive income and are included directly in the balance sheet. Revaluation recognized in other comprehensive income is part of retained earnings and is 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 time period (time period until vested).

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 statement of financial position is equal to the present value of the defined benefit obligation as at the reporting 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.

26. 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 mainly be made in the next 30 years.

27. Other provisions

Provisions are recognized for legal and actual obligations that arise or are economically caused as at the reporting 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 the economic benefits required to fulfill 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 measurement 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 continuing 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 expenses 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 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).

28. 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 on 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 and 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 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 measurement 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 72. 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, and transaction costs and other premiums or discounts over the expected life of the financial instrument or a shorter period, to the net book value of the financial asset on 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 canceled or expire. The difference between the book value of the derecognized financial liability and the consideration received is recognized in the income statement.

29. Equity

If equity instruments exist, these are recognized in the amount of the proceeds received from the issue less costs that can be directly attributed to the issue. 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.

30. 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 reported 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 reported as other comprehensive income.

31. Derivative financial instruments (in hedge accounting)

The CGM Group 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 entered into and subsequently measured at fair value at the end of each reporting period. 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 hedges 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 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).

The relationship between the hedged item and the hedging instrument, including the risk management objectives and the corporate strategy underlying the hedge, is documented at the start of hedge accounting. 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 at the reporting date December 31, 2019, 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 entered into during the year, nor were there any forward exchange transactions as at the reporting date of December 31, 2019.

32. 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 transaction can no longer be expected to occur, the entire income recognized in equity is immediately to recycle through profit or lossing the income statement.

Information on the fair values of derivatives used for hedging purposes is provided under Fair value measurement. There were no cash flow hedges as at the reporting date of December 31, 2019.

33. Liabilities from government grants
Government investment grants are recognized using the net method, whereby the grants are netted against the respective asset and reversed in proportion to the pattern of consumption of the subsidized assets in profit or loss.
The CGM Group receives government grants that are classified as income grants. These are recognized in other income.

34. Leases
The CGM Group applied IFRS 16 for the first time as at January 1, 2019. IFRS 16 was adopted according to the modified retrospective method. The comparative information for 2018 has therefore not been restated, and is instead still presented in accordance with IAS 17.

a) Method applied from January 1, 2019
Based on the definition of a lease in accordance with IFRS 16.9 to 11, the CGM Group assesses whether a new agreement is or contains a lease.

The CGM Group as lessee
As a lessee, the Group mainly leases properties, vehicles, IT equipment and office and operating equipment. In accordance with IFRS 16, the CGM Group recognizes right-of-use assets and lease liabilities for all leases.

When use of an asset begins or when a contract containing a lease component is amended, the contractually agreed consideration is assigned based on the relative standalone prices. The CGM Group does not separate the non-lease components for vehicle leases, and instead recognizes lease and related non-lease components (mainly service charges) as a single lease component.

As at the commencement date, the cost of the right-of-use asset is equal to the lease liability, adjusted for prepayments, initial direct costs and estimated costs of dismantling the asset. The cost is reduced by incentives already paid by the lessor.
In subsequent measurement, the right-of-use asset is amortized on a straight-line basis over the term of the lease and adjusted for any impairment.

The lease liability is recognized in the amount of the present value of the future lease payments over the reasonably certain term of the lease. It is discounted at the interest rate implicit in the lease. If this cannot be readily determined, it is discounted using the CGM Group's risk-adjusted incremental borrowing rate. This rate is adjusted to reflect the nature of the asset and the terms and conditions of the lease. The CGM Group currently uses its risk-adjusted incremental borrowing rate for the discounting of all its leases. Portfolio of leases with reasonably similar characteristics are measured using a uniform discount rate.
Lease payments comprise all fixed and quasi-fixed payments, less any incentives paid by the lessor. Furthermore, payments are recognized for the exercise of reasonably certain purchase and termination options. All other variable payments are recognized as an expense. The lease liability is measured and adjusted using the effective interest method.

The term of the lease is the reasonably certain time period for which an asset is leased. In addition to the non-cancellable basic term of the lease, extensions are taken into account if they are reasonably certain to be exercised. This assessment is reviewed if either events beyond the control of the lessee or significant changes in circumstances occur necessitating a change in the term of the lease.
The term of the lease is adjusted when it is reasonably certain that an extension option will be exercised or a termination option will not be exercised, and this was not taken into account in the original assessment. The adjustment of the lease term alters the future series of payments, thus resulting in the remeasurement of the lease liability using the current interest rate. The resulting difference is recognized in equity in the right-of-use asset.

The CGM Group as lessor
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 the risks and rewards of ownership of the leased asset substantially remain with the lessor are classified as operating leases. 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 financial income over the term of the lease. The difference is recognized in sales revenues. 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.

The adoption of IFRS 16 did not result in any changes to the previous accounting methods.

b) Method applied until January 1, 2019
Previously, at the inception of a lease, the Group determined whether an arrangement contained or contained a lease as defined by IFRIC 4. Leases were classified as finance leases if the lease agreement transfers substantially all the risks and rewards of ownership to the lessee. Leases in which the risks and rewards of ownership of the leased asset substantially remain with the lessor are classified as operating leases.

The CGM Group as lessee
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 principal portion so that the lease liability is subject to constant interest.

The lease liability is reported 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 calculation 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 time period of the leasing relationship.

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.

The CGM Group 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 financial income over the term of the lease. The difference is recognized in sales revenues. 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.

35. Income taxes for the period and deferred taxes

The income tax expense of the reporting period reported in profit or loss of the CGM Group is the total amount 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 accounts 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 company 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, deferred taxes not realized until disposal arise in subsequent measurement.

Deferred tax liabilities arising from temporary differences related to investments in subsidiaries and associates 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 not be applied until future periods will also be taken into account for the calculation of deferred taxes.

Deferred taxes are recognized in profit or loss (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.

36. Sales revenues from contracts with customers and other income

Sales revenues are accounted for in accordance with IFRS 15.
IFRS 15 is 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 disposals to customers or potential customers.

Revenue is determined on the basis of the performance obligations specified in a contract with a customer. The Group recognizes sales revenues when it transfers control of a good or service to a customer.

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:
(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. For variable consideration, the consideration can 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 fulfillment 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.

Step 2 is the identification of the performance obligations in the contract, as sales revenues must 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 commitments. In addition, these commitments 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 associated uncertainty is accounted for by the fact that these variable amounts are only taken into account to the extent that it is highly probable that there will be no material adjustments to the sales revenues recognized when the uncertainty is over. 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.

Finally, in step 5 the revenue must be recognized at the point in time or over a time period of the fulfillment of the underlying performance. 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 entering into a contract in accordance with IFRS 15, it must be determined whether the revenue resulting from the contract is to be recognized at a point in time or over a time period. Therefore, it has first to be clarified by applying specific criteria, if the control of the individual performance obligations is transferred over a time period. If this is not the case, the revenue is 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 time period, 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 disposals with right of return, customer options on the purchase of additional goods or services, principal-agent relationships, and bill-and-hold arrangements. IFRS 15 also includes new guidelines related to costs to obtain or fulfill a contract with a customer and for the question at which point in time these costs must be recognized. Costs that do not fulfill the defined criteria are expensed when they are incurred.

The CGM Group recognizes its sales revenues net of sales deductions such as bonuses, discounts and rebates.

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. The Group recognizes sales revenues from the following significant sources:

Type of sales revenues	Description and revenue recognition
Software licenses	These include sales revenues from the sale of software licenses, which are usually remunerated with 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" approach. This affects practically all license sales in the classic AIS and PCS segment. CGM applies the portfolio approach in accordance with IFRS 15.4 for this purpose. By contrast, license sales in the HIS segment typically do not satisfy the requirements for a multi-component transaction. Sales 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 revenue	This includes sales revenues 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 cancelled 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 remuneration 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 revenue and 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 for example, 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 on completion of the service. Sales revenues are recognized over a period of time, whereby the CGM Group applies the convenience of recognizing them in the amount that the CGM Group has a 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 percentage of completion is typically determined as the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs (cost to cost method). For complex contracts for which a reliable estimate of the total contract costs and thus the percentage of completion is not possible, sales revenues are recognized only to the extent of the contract costs incurred. Even though it is impossible to estimate the percentage of completion, the CGM Group assumes a positive margin. A pro rata profit is therefore only recognized when the project has been fully completed (zero profit method).

Hardware	Sales revenues 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 percentage of completion is typically determined as the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs (cost to cost method). For complex contracts for which a reliable estimate of the total contract costs and thus the percentage of completion is not possible, sales revenues are recognized only to the extent of the contract costs incurred. Even though it is impossible to estimate the percentage of completion, the CGM Group assumes a positive margin. A pro rata profit is therefore only recognized when the project has been fully completed (zero profit method). Sales revenues from rental and leasing transactions that cannot be regarded as sales are recognized on a straight-line basis over the rental period.
Advertising, e-Detailing 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 on completion of the service.
Software-Assisted Medicine (SAM)	This includes sales revenue from healthcare management and associated services. In addition, sales revenues that originate from the use of special software modules (i.e. software supporting medical decision-making) in doctor's offices, hospitals, networks of doctor's offices and hospitals, health insurance providers, patient networks, etc. are 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. Sales revenues are recognized over a period of time, whereby the CGM Group applies the convenience of recognizing them in the amount that the CGM Group has a right to invoice. Revenue from the sale of SAM software licenses is recognized partly immediately on delivery, provided that the delivered software merely grants the customer a "right to access". 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 revenue in the SAM segment and support services are recognized on a pro rata basis over the contractual minimum term of the service provision.
Other Revenues	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.

When hardware components are sold and a hardware maintenance and support contract is entered into 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, sales revenue were adjusted to reflect the change in accounting policies. Current and non-current contract assets were recognized for this amount.

The system implementation process for software services takes on average between three and six months. For 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 on completion of the project (acceptance by the customer). In accordance with IFRS 15, sales revenues are recognized before the customer is invoiced, is recognized as a contract asset under a contract.

The CGM Group incurs additional commission paid to intermediaries or its own sales employees in connection with sales contracts and service contracts for software licenses, software maintenance or other service contracts. If the CGM Group expects these additional costs to be reimbursed, it capitalizes these and writes them down over the time period in which performance is transferred from the provisions of the software license bundled with the software maintenance contract or the provision of services to the customer.

Given 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.

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 book value of the asset.

Dividend income from financial investments is recognized when the shareholder's right to receive payment is established.

37. Assets and liabilities in connection with IFRS 15

The CGM Group incurs additional commission paid to intermediaries or its own sales employees in connection with sales contracts and service contracts for software licenses, software maintenance or other service contracts. If the CGM Group expects these additional costs to be reimbursed, it capitalizes these and writes them down over the time period in which performance is transferred from the provisions 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 recognized if the CGM Group has recognized Sales revenues due to the fulfillment of a contractual obligation before the customer has made a payment or – regardless of maturity – 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 sales revenue. Within a customer contract, contract liabilities must be offset against contract assets.

38. Earnings per share and share-based remuneration 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 time period in which they are outstanding. The stock options granted by the Company result in the dilution of earnings per share.

b) Share-based remuneration 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 measurement is based on the fair value on the grant date.

39. Segment reporting

The segment reporting of the CGM Group is based on the internal organizational and reporting structures in accordance with the 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.

40. 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 reporting of assets and liabilities, income and expenses and contingent liabilities in the reporting period. The main estimates and judgments made in preparing the consolidated financial statements are described below. Please see section E. Notes on items of the balance sheet and the income statement for information on the book values of the items referred to.

a) Purchase price allocation and company acquisitions

Assumptions and estimates are made in particular within the framework of purchase price allocation 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 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 goodwill is impaired. The CGM Group determines the recoverability of the higher of fair value less costs to sell and value in use. The management of the CGM Group is of the opinion that the assumptions used to calculate the recoverable amount are appropriate. Unforeseen changes in these assumptions could result in impairment that would have a negative impact on the net assets, financial position and results of operations of the CGM Group. The calculation of values in use is subject to discretion owing to the need to use estimates for future cash inflows.

c) Recoverable amount of assets
As at the end of each reporting period, the CGM Group assesses whether there is any indication that an item of property, plant and equipment or an intangible asset (including intangible assets from capitalized inhouse 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 is 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 research and development; nevertheless, changes in the underlying parameters could lead to an adjustment of the impairment analysis for the asset being tested. 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 the end of each reporting period. 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 end of the reporting period.

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 fair value of the pension obligation.

g) Revenue recognition for 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. Contractually agreed sales revenue is recognized over a time period. This applies in particular to the HIS segment. Under IFRS 15, sales 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) and 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 to the measurement of project orders for appropriateness and, where necessary, adjusts the estimates to the new findings.

h) Income taxes for the period
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, and 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.

Judgments must be made in the application of accounting policies. 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, and 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 qualified as held for sale are carried at the lower of their residual book value and fair value less costs to sell. In determining fair value less costs to sell, management estimates and assumptions may be used.

All assumptions and estimates are based on the circumstances and assessments as at end of the reporting period. Actual future circumstances may naturally differ from these assumptions and estimates. If this occurs, the assumptions and, if necessary, the book values 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 company acquisition. Contingent liabilities not assumed as part of a company 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.

E. EXPLANATION OF ITEMS ON THE STATEMENT OF FINANCIAL POSITION AND INCOME STATEMENT

41. Intangible assets

a) Development of intangible assets

Overview of changes in intangible assets as at December 31, 2019:

	Purchase or manufacturing costs						Net book value	
EUR '000	Jan 1, 2019	Additions due to changes in scope of con-solidation	Other additions	Disposals and reclassifications	Exchange rate differences	Dec 31, 2019	Dec 31, 2019	Jan 1, 2019
Goodwill	280,451	70,691	26	–1,173	266	350,260	330,905	262,211
Acquired software rights	233,108	8,230	2,233	2,514	323	246,408	36,955	35,237
Customer relationships	236,596	53,991	0	–2,005	793	289,375	176,971	137,505
Trademark rights	32,088	2,615	2	0	54	34,760	6,953	6,236
Order backlog	8,629	3,918	0	0	0	12,547	3,918	0
Capitalized inhouse services	128,361	0	25,304	0	219	153,884	111,336	89,949
Prepayments on software	5,651	–238	1,491	–5,351	–13	1,540	1,291	5,402
Total	924,885	139,208	29,056	–6,016	1,641	1,088,774	668,329	536,540

Overview of changes in intangible assets as at December 31, 2018:

	Purchase or manufacturing costs						Net book value	
EUR '000	Jan 1, 2018	Additions due to changes in scope of con-solidation	Other additions	Disposals and reclassifications	Exchange rate differences	Dec 31, 2018	Dec 31, 2018	Jan 1, 2018
Goodwill	277,835	3,764	0	–356	–792	280,451	262,211	262,450
Acquired software rights	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 inhouse 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	924,884	536,540	534,608

All amortization of intangible assets is recognized in profit or loss.

The complete development of intangible assets is disclosed in the separate appendix to the notes of the consolidated financial statements Changes in intangible assets and property, plant and equipment in financial year 2019.

Software and prepayments on software include the SAP system of the CGM Group. The right to ownership of the SAP system was limited by a sale-and-lease-back agreement until 2018. It was accounted for exclusively on the basis of beneficial ownership. The exploitation right was held by the lease company after the end of the basic term of the lease.

In January 2019, the sale-and-lease-back agreement was replaced by a "sale and hire-purchase back agreement" with a total volume of EUR 22,404 thousand.

The key data of the new contract are as follows:

+ 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 has provided a further financing framework of EUR 2,500 thousand.
+ The monthly installment amounts to 1.721 %of the cost.

The current book value of the assets concerned amounts to EUR 14,450 thousand (previous year: EUR 16,737 thousand).

b) Goodwill

The goodwill is allocated to cash-generating units (CGUs) as follows:

CGU	Jan 1, 2019 EUR '000	Changes in scope of consolidation EUR '000	Other additions EUR '000	Disposals EUR '000	Impairment EUR '000	Reclassifications EUR '000	Exchange rate differences EUR '000	Dec 31, 2019 EUR '000
ATX	1,877	0	0	0	0	0	0	1,877
Barista	1,387	0	0	0	0	–1,387	0	0
CGM Belgium	2,342	0	0	0	0	1,387	0	3,729
CGM Czech Republic	1,094	0	0	0	0	0	19	1,113
CGM Clinical Österreich	14,304	0	0	0	0	0	0	14,304
CGM Denmark	8,658	0	0	0	0	0	–5	8,653
CGM Dentalsysteme	2,905	0	0	0	0	0	0	2,905
CGM Deutschland	33,165	148	0	0	0	0	0	33,313
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	3,992	0	0	0	0	0	–73	3,919
CGM Medistar Systemhaus GmbH	1,318	15,852	0	0	0	0	0	17,170
CGM Netherlands	8,990	0	0	0	0	0	0	8,990
CGM Norway	10,536	0	0	0	0	0	91	10,627
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	4,148	0	0	0	0	0	180	4,328
CGM Sweden	26,606	0	0	0	0	0	–489	26,117
CGM Clinical Deutschland	10,283	0	0	0	0	0	0	10,283
CGM Turkey	40	0	0	0	–36	0	–4	0
CGM US	25,026	0	0	0	0	0	480	25,506
Compufit	2,682	0	0	0	0	0	0	2,682
factis	1,371	0	0	0	0	0	0	1,371
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	947	0	0	–947	0	0	0	0
Intermedix France	543	0	0	0	0	0	0	543
La-Well	1,600	26	0	0	0	0	0	1,626
Lauer-Fischer	30,813	0	0	0	0	0	0	30,813
Meditec	686	0	0	0	0	0	0	686
n-design	1,050	0	0	0	0	0	0	1,050
OWL Computer	45	0	0	0	0	–45	0	0
Pharmacy Spain	609	558	0	0	–1,212	45	0	0
Sales & Services Pharmacy Italy	10,146	0	0	0	0	0	0	10,146
Studiofarma	2,168	0	0	–26	0	0	0	2,142
Turbomed Vertrieb- und Service	4,452	350	0	0	0	0	0	4,802
Epsilog	0	45,382	0	0	0	0	0	45,382
Fablab	0	4,105	0	0	0	0	0	4,105
Qualizorg	0	4,295	0	0	0	0	0	4,295
Total	262,211	70,716	0	–973	–1,248	0	199	330,905

The additions due to changes in scope of consolidation relate to both, business combinations by transferring an entity's interest in its equity (share deal) and business combinations through transfer of net assets (asset deal).

This item primarily shows the acquisitions of the German company Gotthardt Informationssysteme GmbH, Fablab S.r.l., Italy, Qualizorg BV, Belgium, and Epsilog SAS, France.

As at December 31, 2019, the K-LINE CGU was renamed CGM Medistar Systemhaus and, on the basis of their uniform management and economic accountability, both the acquisition of CoSi Medical IT GmbH (asset deal) and the acquisition of Gotthart Informationssysteme GmbH are assigned to the CGM Medistar Systemhaus CGU.

The OWL Computer CGU was merged with the Pharmacy Spain (formerly: Farmages) CGU in financial year 2019.

On the basis of their uniform management and economic accountability, both the acquisitions of en-software GmbH and Viani Northeim GmbH & Co. KG and the acquisition of Eurosof2000 S.L. (asset deals) are assigned to the existing CGUs. The acquisition of en-software GmbH is assigned to the CGM Germany CGU. The acquisition of Viani Northeim GmbH & Co. KG is assigned to the CGM Turbomed Vertrieb- und Service CGU. The acquisition of Eurosof2000 S.L. is assigned to the Pharmacy Spain CGU.

The reclassification in financial year 2019 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 Barista CGU was integrated into the CGM Belgium CGU. As part of the restructuring, the Barista CGU was placed under the unified management and economic responsibility of CGM Belgium CGU. By bundling its business activities, the management of the CGM Group expects to generate synergy effects and efficiency enhancements.

Impairment was recognized for the Pharmacy Spain and CGM Turkey CGUs as a result of annual goodwill impairment testing.

There were disposals in the Studiofarma and EBM CGUs as a result of the liquidation of SF Sanità S.r.l. and the sale of the assets and liabilities (asset deal) of eHealth Business Media AG.

c) Goodwill impairment test
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. The 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 basis of the approved planning for 2019 for the net assets, financial position and results of operations and are then verified by using historical values. The results are the extrapolated for four additional years using bottom-up, five-year planning that reflects the Company's future development under current conditions. After the five-year time period, a perpetuity value is calculated using a conservative Group-wide growth rate of 1 %. To determine the present value of future cash flows, a discount rate based on the weighted average cost of capital (WACC) is applied. The following table provides information on key assumptions used to compile the corporate budget:

Notes on assumptions of corporate budgeting

Description of key assumptions of corporate budgeting	Approach used to determine key assumptions of corporate budgeting
– Expected development of sales revenue (new customers, cross-selling opportunities, success in public tenders)	Internal estimates referring to past experiences and expected market trends or market analysis. External market studies are also used, if available.
– Expected possible price increase for existing customers affecting software maintenance and other recurring revenue	
– Use of current and historical organic growth rates for business areas or segments	
– consideration of regulatory changes affecting the development of business areas	
– Development of purchased services based on current circumstances (e.g. based on contracts, strategic businesses) and the anticipated development of the sales activities (expected sales 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 budgeting 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 2019	Average Exchange Rate planning year 2020	Forward Rate 2021	Forward Rate 2022	Forward Rate 2023	Forward Rate 2024
EUR	Euro Currency Area	1.000	1.000	1.000	1.000	1.000	1.000
DKK	Denmark	7.466	7.468	7.452	7.435	7.429	7.418
NOK	Norway	9.851	9.843	10.06	10.299	10.526	10.753
PLN	Poland	4.298	4.254	4.35	4.446	4.539	4.634
ZAR	South Africa	16.176	15.699	16.835	18.083	19.531	21.053
MYR	Malaysia	4.637	4.587	4.721	4.938	5.118	5.302
SEK	Sweden	10.589	10.504	10.56	10.638	10.707	10.799
CZK	Czech Republic	25.670	25.381	25.974	26.455	26.81	27.322
TRY	Turkey	6.358	6.662	7.485	8.439	9.497	10.616
CHF	Switzerland	1.112	1.086	1.082	1.079	1.076	1.073
RON	Rumania	4.745	4.787	4.968	5.155	5.339	5.528
USD	USA	1.119	1.121	1.147	1.171	1.195	1.218

The individual growth assumptions included for calculating the 2018 and 2019 recoverable amounts of individual CGUs are as follows. The EBITDA margin resulting from the application of the assumed planning assumptions is also shown for the transparency of the assumptions made. For 2019, an average of the EBITDA margins used for subsequent years (continuation planning period) is used to determine the EBITDA margin. The growth rate of 2019 is based on a CAGR calculation in subsequent years.

	EBITDA margin				Growth rate			
	2019		2018		2019		2018	
	1 year	subsequent years	1 year	subsequent years	1 year	subsequent years	1 year	subsequent years
ATX	18.9%	26.6%	20.8%	31.8%	8.5%	9.9%	9.8%	4.7%
CGM Belgium	–29.2%	3.4%	6.5%	16.4%	28.7%	21.3%	14.6%	5.9%
CGM Czech Republic	27.2%	37.2%	28.4%	31.7%	15.9%	17.5%	0.7%	3.6%
CGM Clinical Österreich	-0,8%-21,7%	-12,7%-35,6%	5,2 - 21,1%	6,3-23,4%	-5,4%-5,7%	2,0%-4,4%	-9,1-18,5%	3,0-6,9%
CGM Denmark	27.3%	30.9%	32.4%	33.4%	3.7%	2.4%	9.3%	3.6%
CGM Dentalsysteme	28.8%	33.3%	37.2%	38.7%	7.1%	5.2%	0.7%	3.3%
CGM Deutschland	25.8%	33.8%	29.8%	31.1%	23.7%	3.4%	5.1%	4.1%
CGM France	–30.7%	0.3%	14.1%	8.0%	38.9%	53.8%	15.2%	5.0%
CGM Italy	19.8%	27.7%	26.1%	31.7%	–2.4%	12.6%	17.9%	4.6%
CGM LAB Sweden	19.4%	24.5%	21.6%	25.6%	5.8%	5.8%	4.3%	4.0%
CGM Medistar Systemhaus GmbH	13.9%	14.9%	12.8%	14.0%	15.9%	4.3%	4.1%	2.9%
CGM Netherlands	22.7%	31.1%	26.6%	28.7%	1.9%	5.0%	13.0%	3.8%
CGM Norway	21.6%	27.7%	24.3%	25.1%	1.7%	0.099	–8.6%	0.0%
CGM Österreich	12.1%	20.4%	25.3%	26.5%	–9.3%	4.2%	3.7%	3.2%
CGM Poland	17.9%	21.8%	22.4%	26.1%	–3.4%	7.4%	–21.4%	2.0%
CGM Solution	41.8%	39.5%	48.1%	46.3%	16.8%	13.4%	18.0%	5.3%
CGM South Africa	22.7%	22.7%	29.6%	31.8%	–2.3%	23.1%	5.9%	–2.7%
CGM Sweden	9,2%-74,0%	12,8%-82,2%	7,7 - 67,2%	11,9-68,2%	-4,7%-12,4%	-10,0%-3,6%	-7,0-0,8%	3,9 - 4,8%
CGM Clinical Deutschland	6.8%	16.6%	16.7%	19.9%	3.6%	12.4%	9.1%	4.1%
CGM Turkey	–8.2%	2.0%	–3.5%	2.6%	11.3%	16.4%	–16.8%	–5.2%
CGM US	–7.1%	4.4%	7.8%	12.4%	–0.1%	11.9%	9.6%	2.5%
Compufit	23.1%	24.3%	28.0%	35.2%	18.8%	18.5%	18.5%	7.3%
factis	19.6%	23.4%	23.0%	25.7%	9.2%	3.3%	20.4%	3.6%
HCS	30.0%	42.5%	36.1%	38.1%	–13.5%	7.3%	15.2%	3.7%
ifap	14.8%	29.8%	20.4%	21.9%	8.0%	7.2%	2.3%	2.9%
Imagine Editions	41.6%	42.0%	40.2%	38.2%	21.6%	6.5%	40.5%	4.7%
Innomed	29.1%	37.9%	42.7%	41.6%	–6.2%	5.1%	10.3%	4.2%
Intermedix France	17.6%	23.1%	25.2%	26.0%	9.3%	17.0%	24.7%	3.0%
La-Well	17.0%	68.0%	33.9%	34.2%	–13.9%	59.1%	175.9%	2.3%
Lauer-Fischer	-3,5%-53,3%	-0,6%-65,7%	20,3 - 63,0%	22,1-63,9%	-1,7%-27,8%	-9,0%-1,8%	-16,7 - 7,3%	3,0-12,0%
Meditec	–2.9%	35.3%	42.5%	45.9%	0.0%	–14.3%	15.8%	6.1%
n-design	65.6%	57.3%	32.4%	32.5%	–47.0%	11.4%	57.9%	2.0%
Pharmacy Spain	–6.9%	3.0%	20.7%	30.1%	22.0%	10.3%	54.5%	4.2%
Sales & Services Pharmacy Italy	-4,3%-51,4%	3,9%-54,3%	4,9-42,1%	7,8-42,1%	-44,9%-0,1%	2,5%-4,6%	-4,6 - 9,3%	2,0-6,1%
Studiofarma	12.7%	16.9%	42.5%	42.7%	–44.2%	5.9%	–3.2%	2.9%
Turbomed Vertriebs- und Service	5.3%	12.1%	11.8%	11.9%	40.9%	14.4%	58.6%	2.0%
Epsilog	37.2%	38.7%	0.0%	0.0%	3.3%	25.0%	0.0%	0.0%
Fablab	18.9%	25.1%	0.0%	0.0%	55.4%	15.2%	0.0%	0.0%
Qualizorg	25.6%	31.8%	0.0%	0.0%	47.0%	5.0%	0.0%	0.0%

The discount rates (WACC) used to calculate the recoverable amounts for 2018 and 2019 have been divided into WACC after tax and WACC before taxes as follows:

	WACC (after taxes)		WACC (before taxes)	
	2019	2018	2019	2018
ATX	7.4%	7.7%	9.8%	10.4%
CGM Belgium	7.4%	7.7%	9.7%	10.3%
CGM Czech Republic	7.7%	7.8%	9.2%	9.4%
CGM Clinical Österreich	7.3%	7.4%	9.3%	9.6%
CGM Denmark	7.1%	6.9%	8.9%	8.6%
CGM Dentalsysteme	7.1%	6.9%	9.7%	9.5%
CGM Deutschland	7.1%	6.9%	9.7%	9.5%
CGM France	7.4%	7.6%	9.7%	10.1%
CGM Italy	9.2%	9.4%	11.3%	12.6%
CGM LAB Sweden	7.1%	6.9%	8.8%	8.6%
CGM Medistar Systemhaus GmbH	7.1%	6.9%	9.6%	9.5%
CGM Netherlands	7.1%	6.9%	9.0%	8.9%
CGM Norway	7.1%	6.9%	8.7%	8.7%
CGM Österreich	7.3%	7.4%	9.4%	9.6%
CGM Poland	7.8%	8.0%	9.4%	9.7%
CGM Solution	7.4%	7.6%	10.2%	10.2%
CGM South Africa	9.8%	9.8%	13.0%	13.4%
CGM Sweden	7.1%	6.9%	8.9%	8.6%
CGM Clinical Deutschland	7.1%	6.9%	9.4%	9.4%
CGM Turkey	11.6%	10.8%	14.0%	12.8%
CGM US	7.1%	6.9%	8.8%	12.6%
Compufit	7.4%	7.7%	9.7%	10.4%
factis	7.1%	6.9%	9.7%	9.4%
HCS	7.3%	7.4%	9.5%	9.6%
ifap	7.1%	6.9%	9.6%	10.1%
Imagine Editions	7.4%	7.6%	10.3%	10.2%
Innomed	7.3%	7.4%	9.4%	9.6%
Intermedix France	7.4%	7.6%	10.0%	10.2%
La-Well	7.1%	6.9%	9.4%	9.5%
Lauer-Fischer	7.1%	6.9%	9.8%	9.4%
Meditec	7.1%	6.9%	9.5%	9.5%
n-design	7.1%	6.9%	10.0%	9.5%
Pharmacy Spain	8.1%	9.0%	10.0%	11.6%
Sales & Services Pharmacy Italy	9.2%	9.4%	11.7%	12.6%
Studiofarma	9.2%	9.4%	11.7%	12.8%
Turbomed Vertriebs- und Service	7.1%	6.9%	9.6%	9.5%
Epsilog	7.4%	0.0%	12.8%	0.0%
Fablab	9.2%	0.0%	11.5%	0.0%
Qualizorg	7.1%	0.0%	9.1%	0.0%

On the basis of the value in use, impairment was recognized for the Pharmacy Spain (provider of pharmacy information systems in the PCS segment) and CGM Turkey (service provider for insurance companies in the healthcare sector in the CHS segment) CGUs due to declining business performance in financial year 2019. Goodwill impairment of EUR 1,212 thousand was recognized for Pharmacy Spain and EUR 36 thousand for CGM Turkey. In addition, all impairment tests of the CGUs to be tested indicate a surplus and did not give rise to any impairment losses.

A 0.5 percentage point lower growth rate in the perpetuity value would result in an impairment loss of EUR 1.2 million. If the growth rate were 0.5 percentage points lower, the Group-wide surplus would be reduced by EUR 291.0 million.

An increase in WACC of 1 percentage point would give rise to impairment of EUR 1.3 million. An increase in WACC of one percentage point would reduce the Group-wide surplus by EUR 579.1 million.

An increase in WACC of 2 percentage points would give rise to impairment of EUR 10.2 million. The Group-wide surplus would then be reduced by EUR 967.3 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:

	Excess of carrying amount (Head-room)	Change in perpe-tuity growth rate by 0.5 percentage points	Change in weighted average cost of capital (WACC) by one percentage point	Change in weighted average cost of capital (WACC) by two percentage points
CGM Belgium	1,608	0	–36	–1,272
CGM US	21,195	0	0	–7,641
Total	22,803	0	–36	–8,913

The impairment loss recognized in the income statement for the Pharmacy Spain and CGM Turkey CGUs resulted in an impairment loss of 100 % on the allocated goodwill of the CGUs, which is therefore no longer shown in the above table.

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 and their useful lives:

EUR thousand	Dec 31, 2019	Dec 31, 2018	Amortization until latest
Acquired software from acquisitions for distribution to customers			
CGM US (formerly Noteworthy Group)	0	102	Feb 28, 2019
Labelsoft	0	166	Sep 30, 2019
CGM Netherlands	0	652	Dec 31, 2019
Compufit	277	364	Mar 31, 2023
CGM US (formerly Visionary Group)	284	554	Aug 31, 2020
CGM Deutschland	424	504	Apr 30, 2025
CGM South Africa	498	636	Dec 31, 2022
Imagine Editions (formerly Imagine-Group)	904	1,131	Dec 31, 2023
Qualizorg	1,026	0	Mar 31, 2025
CGM Clinical Österreich	1,173	1,878	Aug 31, 2021
Lauer-Fischer	1,638	2,733	June 30, 2021
CGM LAB International	3,496	3,888	Dec 31, 2028
Epsilog	6,638	0	Dec 31, 2027
Other	20,637	22,629	
Total software	36,995	35,237	

Acquired customer relationships			
CGM Clinical Deutschland	1,354	1,530	Nov 01, 2035
FARMA3TEC	1,879	2,583	Aug 31, 2022
ATX	2,032	2,219	Nov 30, 2030
CGM US (formerly Noteworthy Group)	2,420	3,075	Dec 31, 2024
Qualita in Farmacia (incl. Puntofarma)	2,709	3,000	July 31, 2033
CGM Italy	3,464	4,146	June 30, 2029
Vega	3,777	4,102	Aug 31, 2031
Fablab	4,078	0	Dec 31, 2027
Turbomed Vertriebs- und Service	4,216	4,648	Mar 30, 2030
CGM South Africa	4,425	4,829	June 30, 2038
CGM Norway	4,564	4,769	June 30, 2038
CGM Denmark	4,847	4,974	June 30, 2038
Innomed	5,674	6,242	Dec 31, 2029
Qualizorg	6,302	0	Mar 31, 2027
CGM LAB International	7,250	7,515	Dec 31, 2043
CGM Netherlands	7,816	8,902	Dec 31, 2030
Imagine Editions (formerly Imagine-Group)	8,679	9,298	Dec 31, 2033
Lauer-Fischer	10,517	11,153	June 30, 2036
CGM Sweden	10,873	11,682	June 30, 2038
GIS Group	13,567	0	Dec 31, 2033
CGM US (formerly Visionary Group)	16,769	17,472	Aug 31, 2040
Other	21,605	25,366	
Epsilog	28,154	0	Dec 31, 2031
Total acquired customer relationships	176,971	137,505	
Brands			
CGM Clinical Deutschland	0	106	Aug 30, 2019
CGM Sweden	143	300	Dec 31, 2020
Vega	201	244	Aug 31, 2024
Lauer-Fischer	569	949	June 30, 2021
CGM Clinical Österreich	593	948	Aug 31, 2021
Epsilog	1,555	0	Dec 31, 2027
CGM LAB International	1,704	1,826	Dec 31, 2033
Other	2,188	1,863	
Total Brands	6,953	6,236	
Acquired order backlog			
Epsilog	3,918	0	Dec 31, 2022
Total acquired order backlog	3,918	0	

* In the previous year, other recognized software for operating activities was also reported under software from company acquisitions.

In 2019, as in 2018, there were no changes to the underlying useful lives of intangible assets.

e) Capitalized inhouse services

In financial year 2019, inhouse services (software development) of EUR 24,570 thousand were capitalized in accordance with IAS 38 (previous year: EUR 18,512 thousand). These were measured at directly attributable production costs. In accordance with the provisions of IAS 23, borrowing costs attributable to inhouse services (software development) of EUR 699 thousand (previous year: EUR 650 thousand) were capitalized in financial year 2019. Amortization of capitalized inhouse services of EUR 4,063 thousand (previous year: EUR 4,719 thousand) was incurred in the reporting year.

For more information on changes to intangible assets, refer to the separate appendix to the notes Changes in intangible assets and property, plant and equipment in financial year 2019.

f) Accumulated impairment
Intangible assets include accumulated impairment on goodwill from the financial years 2008 to 2019 of EUR 19.5 million, based on the exchange rates as at the December 31, 2019 reporting date.

The Pharmacy Spain and CGM Turkey CGUs were impaired in financial year 2019. Goodwill impairment of EUR 1,212 thousand was recognized for Pharmacy Spain and EUR 36 thousand for CGM Turkey.

Furthermore, "Goodwill" includes amortization of EUR 5.4 million that resulted from financial years before the implementation of IAS/IFRS.

g) Intangible assets from company acquisitions
The following additions to software, customer relationships and trademark rights resulted from business combinations in the 2019 reporting time frame:

EUR `000	Total	GIS Group	Fablab S.r.l.	Qualizorg B.V.	CoSi Medical IT GmbH	MB Invest SAS / Epsilog SAS	Other additions
Standard and special software	8,131	108	40	1,026	26	6,638	293
Customer relationships	54,091	13,567	4,078	6,302	576	28,154	1,414
Trademark rights	2,616	607	218	133	66	1,555	37
Order backlog	3,918	0	0	0	0	3,918	0
Total	**68,756**	**14,282**	**4,336**	**7,461**	**668**	**40,265**	**1,744**

42. Property, plant and equipment
Overview of changes in property, plant and equipment as at December 31, 2019:

	Purchase and manufacturing costs							Net book value	
EUR '000	Jan 1, 2019	Restate-ment of opening balance*	Additions due to changes in scope of consolidation	Other additions	Disposals and reclassifications	Exchange rate differences	Dec 31, 2019	Dec 31, 2019	Jan 1, 2019
Property and buildings	66,022	–1,043	517	1,152	–164	24	66,508	49,376	50,797
Other fixed assets and office equipment	61,412	–355	2,248	9,659	–10,021	150	63,093	34,075	32,062
Assets under construction	850	0	0	3,873	–51	–1	4,670	4,614	794
Total	128,284	–1,398	2,765	14,683	–10,237	173	134,270	88,064	83,653

* Changes due to the adoption of new standard IFRS 16

Overview of changes in property, plant and equipment as at December 31, 2018:

	Purchase and manufacturing costs						Net book value	
EUR '000	Jan 1, 2018	Additions due to changes in scope of consolidation	Other additions	Disposals and reclassifications	Exchange rate differences	Dec 31, 2018	Dec 31, 2018	Jan 1, 2018
Property and buildings	62,514	0	1,329	2,237	–58	66,022	50,797	49,521
Other fixed assets 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

Please see note 17.b) Other fixed assets and office equipment for information on the different depreciation periods for the significant parts of the aircraft (component approach).

Impairment in accordance IFRS 5 of EUR 331 thousand was recognized on certain assets and liabilities qualified as held for sale in financial year 2019. For further information, see note 53. Assets qualified as held for sale. No impairment losses were recognized in financial year 2018.

The Group did not capitalize any borrowing costs for property, plant and equipment in the financial year (previous year: EUR 5 thousand). For details on the development of property, plant and equipment, please refer to the separate annex to the notes of the consolidated financial statements Changes in intangible and tangible assets in financial year 2019.

43. Right-of-use assets

Right-of-use assets are reported separately on the basis of the new IFRS 16 for the first time in 2019. The Group mainly rents office space and the associated car parking spaces. The remaining terms of these leases are between one and ten years. All long-term leases are at locations that are to be retained in the long term. As any restoration obligations under these leases are linked to early termination, it is currently assumed that the Group will not be required to honor them. Some of the property leases stipulate rent increases linked to (price) indices. These were measured at the index level at the commencement date.

Leases have also been agreed for vehicles. They typically have a term of two to three years.

Lease for hardware, operating and office equipment are immaterial. These leases typically have a term of three to five years; the underlying values in use accounted for less than 1 % of the total value of the right-of-use assets on December 31, 2019.

The development of right-of-use assets over financial year 2019 is shown below:

	Purchase and manufacturing costs							Net book value	
EUR ‘000	Jan 1, 2019	Restatement of opening balance*	Additions due to changes in scope of consolidation	Other additions	Disposals and reclassifications	Exchange rate differences	Dec 31, 2019	Dec 31, 2019	Jan 1, 2019
Property and buildings - IFRS 16	0	31,919	4,718	8,017	–799	19	43,874	33,196	0
Vehicles - IFRS 16	0	8,519	858	5,748	–848	12	14,289	9,614	0
Other - IFRS 16	0	414	54	108	–25	0	552	379	0
Total	0	40,852	5,629	13,873	–1,672	31	58,715	43,189	0

* Changes due to first-time adoption of the new standard IFRS 16

44. Financial assets

a) Investments in associates and joint ventures (at equity)

Investments in Associates and joint ventures (at equity)	Dec 31, 2019 EUR ´000	Dec 31, 2018 EUR ´000
Joint ventures		
MGS Meine Gesundheit Services GmbH	785	2,570
Fablab S.r.l.	0	3,210
Associates		
Mediaface GmbH	50	50
AxiService Nice S.a.r.l.	0	0
Technosante Nord-Picardie SAS	8	8
Smoove Software S.r.l.	85	84
Gotthardt Informationssysteme GmbH	0	3,792
Qualitätsverbund MED-IT GmbH & Co. KG	0	2
R56+ Regionalmarketing GmbH & Co. KGaA	10	0
Total	938	9,716

Fablab S.r.l.
As a result of the acquisition of further shares in Fablab S.r.l. by CompuGroup Medical Italia SpA, the CGM Group has now achieved control and the company, previously accounted for as a joint venture, is now included in consolidation as a subsidiary.

Gotthardt Informationssysteme GmbH
As a result of the acquisition of further shares in Gotthardt Informationssysteme GmbH and Qualitätsverbund MED-IT GmbH & Co. KG by K-Line Praxislösungen GmbH, the CGM Group has now achieved control and the companies, previously accounted for as associates, are now included in consolidation as subsidiaries.

For further information, please refer to note 12. b) Company acquisitions and disposals.

MGS Meine Gesundheit Services GmbH
Summarized financial information regarding MGS Meine Gesundheit Services GmbH are as follows:

	2019 EUR '000	2018 EUR '000
Sales revenues	5,617	2,760
Depreciation and amortization	–3,091	–2,615
Interest income	0	0
Interest expense	–216	–13
Income tax income/Income tax expense (-)	0	0
Other expenses	–6,930	–3,414
Other comprehensive income	0	0
Total comprehensive income	–4,620	–3,282

	Dec 31, 2019 EUR '000	Dec 31, 2018 EUR '000
Current assets	9,463	3,114
of which cash and cash equivalents	7,339	1,786
Non-current assets	10,675	10,043
Current liabilities	768	1,154
of which current financial liabilities (not including trade payables, other payables or provisions)	0	0
Non-current liabilities	14,000	2,013
of which non-current financial liabilities (not including trade payables, other payables or provisions)	0	2,013
Net assets	5,370	9,990
Group's share of the interest of the investee at the beginning of the period	2,570	3,897
Portion of the total comprehensive income	–1,785	–1,327
Capital measures/dividends/changes in the scope of consolidation	0	0
Group's share of the interest of the investee at the end of the period	785	2,570
Carrying amount of the interest in joint venture at the end of the period	785	2,570

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 equity investments
These equity investments are measured at fair value. The equity investments are as follows:

Other equity investments	Dec 31, 2019 EUR ´000	Dec 31, 2018 EUR ´000
Better@Home Service GmbH	1,303	553
Other	155	172
Total	1,458	725

45. Income tax receivables, income tax liabilities and deferred taxes
a) Income tax receivables and liabilities

	Dec 31, 2019 EUR ´000	Dec 31, 2018 restated* EUR ´000
Income tax receivables	19,177	8,854
Income tax receivable	19,177	8,854
Income tax liabilities	17,973	14,820
Income tax liability	17,420	14,231
Other	553	589
Total	–1,204	5,966

* Restatement of prior-year figures, see note 3. Corrections in accounting

Income tax receivables (EUR 19,177 thousand; previous year: EUR 8,854 thousand) include current income tax receivables of the Group companies. Income tax liabilities (EUR 17,973 thousand; previous year: EUR 14,820 thousand) essentially relate to current tax expenses less advance payments made (EUR 17,420 thousand; previous year: EUR 14,231 thousand).

b) Deferred tax assets and liabilities
Deferred tax rates abroad ranged between 16 % and 28 % in financial year 2019 (previous year: 16 % and 30.4 %).

Deferred taxes are calculated using the relevant tax regulations that are effective or enacted as at the end of the reporting period. 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 evidence 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 two to three 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 section 8 c of the Körperschaftsteuergesetz (KStG – German Corporate Income Tax Act).
CGM US Inc.	Given the company's economic development, it cannot be assumed that the tax loss carryforwards will be utilized in full, hence deferred tax assets were only recognized up to the amount of the deferred tax liabilities.
Qualità in Farmacia S.r.l.	Given the company's earnings power, it can be assumed, that the existing tax loss carryforwards will be utilized in full, hence a deferred tax asset was recognized in 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. Given the company's loss history, deferred tax assets are only recognized up to the amount of deferred tax liabilities.
Studiofarma S.r.l.	Given the company's earnings power, it can be assumed, that the existing tax loss carryforwards will be utilized in full, hence a deferred tax asset was recognized in the full amount.
CGM Schweiz AG	Given the company's economic development, it cannot be assumed that the tax loss carryforwards will be utilized in full, hence deferred tax assets were only recognized up to the amount of the deferred tax liabilities.
CGM LAB Deutschland GmbH	Given the company's economic development, it cannot be assumed that the tax loss carryforwards will be utilized in full, hence deferred tax assets were recognized in accordance with the minimum taxation rules of German tax law for offsetting against deferred tax liabilities.
CGM LAB International GmbH	Following the contribution of the subsidiary CompuGroup Medical Dentalsysteme GmbH to CGM LAB International as at January 1, 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.	Given the company's economic development and loss history, it cannot be assumed that the tax loss carryforwards will be utilized in full, hence deferred tax assets were only recognized up to the amount of the deferred tax liabilities.
Profdoc AS	Given the company's earnings power, it can be assumed, that the existing tax loss carryforwards will be utilized in full, hence a deferred tax asset was recognized in the full amount.

APV Ärztliche Privatverrechnungsstelle GmbH	Given the company's expected economic development, there is uncertainty as to whether the tax loss carryforwards will be utilized in full, hence deferred tax assets were only recognized up to the amount of the deferred tax liabilities.
La-Well Systems GmbH	Given the company's loss history, it cannot be assumed that the tax loss carryforwards will be utilized in full, hence deferred tax assets were only recognized up to the amount of the deferred tax liabilities.
CGM LAB France SAS	Given the company's economic development and loss history, it cannot be assumed that the tax loss carryforwards will be utilized in full, hence deferred tax assets were only recognized up to the amount of the deferred tax liabilities.
Barista Software BVBA	Given the company's loss history, it cannot be assumed that the tax loss carryforwards will be utilized in full, hence deferred tax assets were only recognized up to the amount of the deferred tax liabilities.

The deferred tax assets and liabilities by consolidated statement of financial position item as at December 31, 2019 are shown in the table below:

	Jan 1, 2019		Recognized in profit or loss		Recognized in OCI		Acquisitions/Disposals		Dec 31, 2019	
	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	40	66,315	–21	–13,647	0	0	0	19,008	19	71,676
Property, plant and equipment	1,932	809	–1,467	547	0	0	0	0	465	1,356
Right-of-use assets	0	10,416	191	971	0	0	0	0	191	11,387
Financial assets	15	31	27	1,033	0	0	0	0	42	1,064
Inventories	3,650	10	1,278	377	0	0	0	0	4,928	387
Trade receivables	1,218	319	–1,198	4,732	0	0	0	0	20	5,052
Finance lease receivables*	0	4,065	0	668	0	0	0	0	0	4,733
Contract assets	872	2,391	–850	–914	0	0	0	0	21	1,477
Other assets	164	613	1,307	596	0	0	0	0	1,471	1,209
Provisions for post-employment benefits and other non-current provisions	3,021	0	2,303	19	–95	0	0	0	5,229	19
Trade payables	170	332	2,944	2,028	0	0	0	0	3,114	2,360
Contract liabilities	6,694	0	–1,148	0	0	0	0	0	5,546	0
Other provisions and liabilities	8,341	43	–7,446	1,337	0	0	0	0	895	1,380
Lease liabilities	10,416	0	157	0	0	0	0	0	10,573	0
Loss carryforwards	13,777	0	–8,887	0	0	0	0	0	4,890	0
	50,310	85,344	–12,810	–2,253	–95	0	0	19,008	37,404	102,100
Offsetting of deferred tax assets against deferred tax liabilities	–41,834	–41,834	0	0	0	0	10,353	10,353	–31,481	–31,481
Total	8,476	43,510	–12,810	–2,253	–95	0	10,353	29,361	5,923	70,619

* Including changes due to currency effects

The netting of deferred tax assets with deferred tax liabilities in the current reporting year amounts to EUR 10,353 thousand in the column "Acquisitions/disposals" and relates to deferred taxes for the Group as a whole.

As a result of the adoption of IFRS 16, deferred taxes were extended to include the balance sheet items "Right-of-use assets" and "Lease liabilities".

The deferred tax assets and liabilities by consolidated statement of financial position item for the comparative prior-year period as at December 31, 2018 are shown in the table below:

	Jan 1, 2018		Recognized in profit or loss		Recognized in OCI		Acquisitions/Disposals		Dec 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
Property, plant and equipment	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
Finance lease receivables*	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
Loss carryforwards	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

c) Tax loss carryforwards

EUR '000	Dec 31, 2019	Dec 31, 2018
Total loss carryforwards	**214,505**	**215,808**
of which tax deductible	72,951	70,492
of which tax deductible, not recognized	72,356	77,413
of which non-deductible (for tax purposes)	69,198	67,903

The tax loss carryforwards of EUR 72,951 thousand (previous year: EUR 70,492 thousand) can currently be carried forward and used unlimited. As at the reporting 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 results of operations of the companies and tax legislation and may require an adjustment. No deferred tax assets were recognized for these tax loss carryforwards of EUR 72,356 thousand (previous year: EUR 77,413 thousand), as it is currently assumed that the tax loss carryforwards will probably not be utilized in the context of tax result planning. Loss carryforwards of EUR 69,198 thousand (previous year: EUR 67,903 thousand) can no longer be utilized for tax purposes. Most of the loss carryforwards not recognized and non-deductible (for tax purposes) originate from the foreign subsidiary CompuGroup Medical Inc. in the US.

For the calculation of loss carryforwards that can are non-deductible (for tax purposes), we use the information on the historical view of tax loss carryforwards in the local tax returns of the subsidiaries concerned.

Deferred tax liabilities essentially relate to capitalized inhouse services at Group level and acquired software licenses, customer relationships and trademark rights from company acquisitions and 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	Dec 31, 2019	Dec 31, 2018	Dec 31, 2019	Dec 31, 2018
Utilization expected within 12 months	1,313	4,864	8,652	7,555
Utilization expected after more than 12 months	4,610	3,612	61,967	35,955
Total	5,923	8,476	70,619	43,510

46. Inventories

EUR '000	Dec 31, 2019	Dec 31, 2018
Raw materials and supplies	151	126
Merchandise	27,341	19,453
Total	**27,492**	**19,579**

Inventories essentially result from hardware components. Inventories including write-downs on inventories developed as follows:

EUR '000	Dec 31, 2019	Dec 31, 2018
Inventories as at January 1	**19,579**	**12,497**
Changes in the scope of consolidation	1,671	2
Write-downs in the reporting period	–162	–386
Changes in inventory (addition/disposal)	6,400	7,530
Changes in exchange rate	4	–64
Inventories as at December 31	**27,492**	**19,579**

There are no inventories pledged as security for liabilities. The inventories reported as at the reporting date are not expected to be held for more than one year.

47. Trade 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. The exclusively consist of contracts with customers. 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. The CGM Group does not show any trade receivables with a significant financing component.

a) Trade receivables

	Dec 31, 2019		Dec 31, 2018	
EUR '000	Current	Non-current	Current	Non-current
Trade receivables	114,557	0	118,846	0
Write-down	–11,575	0	–13,249	0
Total	102,982	0	105,597	0

Information on impairments on trade receivables can be found in note 80. Credit risk.

b) Trade receivables (regions)

	Dec 31, 2019 EUR '000	Dec 31, 2018 EUR '000
Trade receivables		
of which domestic	40,473	49,518
of which foreign	62,509	56,079
Total	102,982	105,597

48. Finance lease receivables

Finance lease receivables essentially relate to the Group companies Lauer-Fischer GmbH, CGM Clinical Österreich GmbH, CGM Arztsysteme Österreich, HCS Health Communication Services Gesellschaft m.b.H., Innomed Gesellschaft für medizinische Softwareanwendungen GmbH, CGM Denmark A/S, CGM Dentalsysteme GmbH, CGM Italia SpA, Qualità in Farmacia S.r.l., Farma3tec S.r.l., Mondofarma S.r.l., Vega Informatica e Farmacia S.r.l., ATX Advanced Technology Explained NV and Turbomed Vertriebs und Service GmbH, which offer their customers to lease hardware (including all peripheral devices) for up to five years. Income from these leases is reported in the income statement as sales revenue. The contracts are classified as finance leases.

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:

	Dec 31, 2019			Dec 31, 2018		
EUR '000	Future minimum lease payments	Interest component	Present value of future lease receivables	Future minimum lease payments	Interest component	Present value of future lease receivables
< 1 year	9,266	1,420	7,846	6,987	1,138	5,849
1–5 years	16,539	1,722	14,817	13,310	1,328	11,982
> 5 years	132	3	129	101	2	99
Total	25,937	3,145	22,792	20,398	2,468	17,930

Information on impairment on Finance lease receivables in accordance with IFRS 9 can be found in note 80. Credit risk.

49. Contract assets

The contract assets are composed as follows:

EUR '000	Dec 31, 2019		Dec 31, 2018	
	Current	Non-current	Current	Non-current
Contract assets	9,165	0	8,474	1,611
Write-down	–73	0	–65	–13
Total	9,092	0	8,409	1,598

The contract assets originate exclusively from contracts with customers. For information on impairment recognized in accordance with IFRS 9, please see note 80. Credit risk.

50. Other financial assets

Other financial assets are broken down as follows:

EUR '000	Dec 31, 2019 Current	Dec 31, 2019 Non-current	Dec 31, 2018 Current	Dec 31, 2018 Non-current
Leasing receivables	25	0	26	0
Loans	207	5,623	350	682
Creditors with debit balances	1,525	0	1,464	0
Asset value of liability insurance	0	414	0	3
Deposits	154	1,150	93	921
Purchase price receivables	283	757	210	0
Other financial assets	944	1,060	480	0
Total	3,137	9,003	2,623	1,606

The following table provides information on impairment on other financial assets:

	Dec 31, 2019 EUR ´000	Dec 31, 2018 EUR ´000
Other financial assets	12,237	4,361
Impairment	–97	–131
Total	12,140	4,230

51. Other non-financial assets

Other non-financial assets are broken down as follows:

	Dec 31, 2019 Current EUR '000	Dec 31, 2019 Non-current EUR '000	Dec 31, 2018 Current EUR '000	Dec 31, 2018 Non-current EUR '000
Capitalized contract costs	800	1,200	800	1,200
Input tax surplus receivable	2,937	0	2,148	0
Prepayments for future periods	12,020	0	11,063	0
Other	1,160	0	1,577	0
Total	16,918	1,200	15,588	1,200

In the 2019 financial statements, depreciation and impairment on capitalized contract costs amounted to EUR 800 thousand (previous year: EUR 800 thousand) and were recognized in personnel expenses in the amount of EUR 600 thousand (previous year: EUR 600 thousand) and in cost of materials in the amount of EUR 200 thousand (previous year: EUR 200 thousand). Similarly, capitalized contract costs of EUR 800 thousand (previous year: EUR 800 thousand) were capitalized in the financial year as at December 31, 2019 as part of book value development.

52. Cash and cash equivalents

	Dec 31, 2019 EUR ´000	Dec 31, 2018 EUR ´000
Cash and cash equivalents	43,785	19,634
Restricted cash	2,565	5,668
Total	46,350	25,302

As at December 31, 2019, cash and cash equivalents include restricted cash held by subsidiaries in countries with restrictions on foreign exchange transactions. These are subject to legal restrictions on transfers and are therefore not available for general use of the Group. This

essentially means South Africa (EUR 63 thousand; previous year: EUR 5,311 thousand). Furthermore, restricted cash includes EUR 2,500 thousand from the Netherlands in an escrow account that is managed as a trust and is therefore generally restricted.
Cash at banks relates to current accounts bearing interest at 0 % per year. Please see the cash flow statement for information on changes in cash.

53. Assets qualified as held for sale

There were no assets qualified as held for sale as at December 31, 2019. The company CompuGroup Medical Malaysia Sdn Bhd was successfully sold on October 31, 2019. The transaction gave rise to impairment of EUR 331 thousand.

Assets of EUR 1,059 thousand were reclassified as held for sale as at December 31, 2018.

54. Equity

a) Subscribed capital

The Company's subscribed and authorized capital consists of:

	Dec 31, 2019 EUR '000	Dec 31, 2018 EUR '000
Issued and fully paid ordinary shares		
53,219,350 ordinary shares of EUR 1.00 each	53,219	53,219
Authorized capital		
26,609,675 ordinary shares of EUR 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. Subscribed capital is divided into 53,219,350 bearer shares, having the securities ID number 543730 (ISIN: DE0005437305). Subscribed capital cannot be repaid.

(ii) Authorized capital

With the approval of the Supervisory Board, the Management Board is authorized to increase the share capital of the Company by up to EUR 26,609,675.00 by issuing new shares on one or more occasions in return for cash or non-cash contributions by May 17, 2021 (Authorized Capital). The Management Board is authorized, with the approval of the Supervisory Board, to determine the further details of the implementation of capital increases from Authorized Capital.

The new shares can also be issued to banks determined by the Management Board with the obligation to offer them to shareholders (indirect pre-emption right).

Shareholders must be granted pre-emption rights when utilizing authorized capital. However, the Management Board is authorized, with the approval of the Supervisory Board, to disapply shareholder's pre-emption rights:

+ to exclude fractional amounts from pre-emption rights;
+ for capital increases against non-cash contributions by granting shares for the direct or indirect acquisition of companies, parts of companies or equity investments in companies or business combinations;
+ in the event of a capital increase against cash contributions, if the issue price of new shares is not significantly less than the stock market price at the time of the final determination of the issue price and the total pro rata amount attributable to the new shares for which pre-emption rights are disapplied does not exceed 10% of the share capital at the time of this authorization becoming effective or – if this value is lower – at the time it is exercised. The maximum limit of 10 % of the share capital includes shares issued or sold during the term of this authorization with pre-emption rights disapplied in accordance with section 186(3) sentence 4 AktG (applied directly or with the corresponding changes).

CompuGroup Medical SE had not utilized its Authorized Capital as at December 31, 2019.

(iii) Contingent capital

The share capital can be increased by up to EUR 21,287,740 (in words: twenty-one million two hundred and eighty-seven thousand seven hundred and forty euro) by issuing up to 21,287,740 new bearer shares with dividend entitlement from the start of the financial year in which they are issued (Contingent Capital 2017). The contingent capital increase is performed only to the extent to which bearers or creditors of convertible bonds, bonds with warrants, profit participation certificates or profit participation bonds (or combinations of these instruments) exercise their conversion rights or warrants on the basis of bonds issued by the Company 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 fulfillment 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 contingent capital increase, up to a total nominal amount of EUR 500,000,000.

Shareholders must be granted pre-emption rights to bonds when utilizing contingent capital. The Management Board is authorized, with the approval of the Supervisory Board, to disapply shareholders' pre-emption rights to bonds:

+ for fractional amounts;
+ to the extent necessary to grant pre-emption 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;
+ 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 service conversion rights, warrants or conversion or option obligations do not exceed 10 % of the share capital either at the point at which the subsequent authorization becomes effective or – if the number of shares is lower – when the authorization is exercised;
+ 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 in accordance with the above bullet.

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 disapply shareholders' pre-emption rights in full, with the approval of the Supervisory Board, if these profit participation certificates or profit participation bonds have features similar to those of a debenture. In this case, the interest calculation and issue amount of the profit participation certificates or profit participation bonds must be in line with current market conditions for comparable borrowing as at the time of issue.

CompuGroup Medical SE had not exercised this authorization to issue bonds as at December 31, 2019.

By way of resolution of the Annual General Meeting of May 15, 2019, the share capital is contingently increased by up to EUR 5,321,935 (in words: five million three hundred and twenty-one thousand nine hundred and thirty-five euro) by issue of up to 5,321,935 new no-par value bearer shares representing pro rata share capital of EUR 1.00 each (Contingent Capital 2019). The sole purpose of the contingent capital increase is to grant pre-emption rights (stock options) to members of the Management Board and executives of the Company, and to members of the management of its subsidiary associated companies and their executives, until May 14, 2024, in accordance with the more detailed provisions of the authorization resolution of the Annual General Meeting of May 15, 2019. The contingent capital increase will only be implemented to the extent that pre-emption rights are exercised in accordance with this authorization resolution and the Company does not pay the consideration in the form of cash or treasury shares. The new shares participate in profits for all financial years for which a resolution on the appropriation of profits has not been adopted at the time of their being created. The shares granted to entitled members of the Management Board of CompuGroup Medical SE and entitled employees of CompuGroup Medical SE, in addition to entitled members of the management of their subsidiary associated companies and their entitled employees, from the date of the resolution on Contingent Capital 2019 for the purpose of servicing pre-emption rights (stock options) from treasury shares of the Company (section 71(1) no. 8 AktG) must be deducted from Contingent Capital 2019. The stock options can only be issued to members of the Management Board of CompuGroup Medical SE (group 1) and to executives of CompuGroup Medical SE, and to members of the management of its subsidiary associated companies and senior executives, all of whom must belong to the group of senior vice presidents or the group of general managers (group 2).
The total volume of stock options (up to 5,321,935) is divided between the two groups as follows:

+ Group 1 members together receive a maximum of 3,547,957 stock options and the resulting pre-emption rights.
+ Group 2 members together receive a maximum of 1,773,978 stock options and the resulting pre-emption rights.

Members of both groups do not receive any additional pre-emption rights for their membership in group 2.

As at December 31, 2019, CompuGroup Medical SE had exercised this authorization to grant stock options and created stock option programs for a total of 1,000,000 stock options for members of group 1.

b) Treasury shares

As at December 31, 2019, CompuGroup Medical SE held 4,806,709 (previous year: 4,013,458) treasury shares, corresponding to 9.03% (previous year: 7.54 %) of the share capital. The notional value attributable to subscribed capital is EUR 4,806,709 (previous year: EUR 4,013,458). The number of treasury shares held by the Company is derived from the following acquisitions and disposals:

Financial year	Time period of the buyback program/date of sale of treasury shares	Number of shares repurchased/ sold	Interval cost/sale price in EUR	Weighted average cost/sale price per share in EUR
		4,013,458		
2019	January 2 to March 19, 2019	377,652	39.6816 to 53.3255	47.8901
2019	September 18 to October 30, 2019	415,599	52.1297 to 58.7994	55.2865
Total		4,806,709		

The authorization to acquire treasury shares granted to the Management Board by way of resolution of the Annual General Meeting of May 14, 2009, which was limited until November 14, 2010, was terminated by way of resolution of the Annual General Meeting of May 19, 2010 and replaced with a new authorization. Following the amendment of section 71(1) no. 8 of the Aktiengesetz (AktG – German Stock Corporation Act) by the Gesetz zur Umsetzung der Aktionärsrechterichtlinie (ARUG – German Act on the Implementation of the Shareholders' Rights Directive), an authorization can be issued for up to five years.
The authorization to acquire treasury shares granted to the Management Board by way of resolution of the Annual General Meeting of May 19, 2010, which was limited until May 19, 2015, was terminated by way of resolution of the Annual General Meeting of May 20, 2015 and replaced with a new authorization.

The authorization can be exercised in full or in part, on one or more occasions and in pursuit of one or more objectives by the company or by third parties acting on its behalf. The authorization became effective on May 21, 2015 and is valid until May 20, 2020. This authorization was replaced by way of resolution of the Annual General Meeting on May 15, 2019 as follows.

CompuGroup Medical SE (the Company) is authorized in accordance with section 71(1) no. 8 AktG to acquire treasury shares of up to a total of 10 % of the value of the existing share capital at the time the resolution is adopted, or – if this amount is lower – at the time that this authorization is exercised. Acquired shares together with other treasury shares of the Company that are held by the Company or attributable to it in accordance with sections 71d and 71e AktG must not at any time exceed 10 % of the existing share capital at the time the resolution is adopted. The acquisition can 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. The authorization cannot be used for the purpose of trading in treasury shares. The authorization can be exercised in full or in part, on one or more occasions and in pursuit of one or more objectives by the company or by third parties acting on its behalf. The authorization became effective on May 16, 2019 and is valid until May 14, 2024. At the discretion of the Management Board, the acquisition will be implemented on the stock market or by a public purchase offer to all shareholders or a public invitation to all shareholders to submit offers for sale, whereby the explicit provisions of the resolution of the Annual General Meeting must be complied with.

The Management Board is authorized to utilize the treasury shares acquired on the basis of this or prior authorizations as follows:

(1) With the approval of the Supervisory Board, treasury shares can be sold on the stock market or by way of an offer to all shareholders. With the approval of the Supervisory Board, they can also be sold in another manner if the shares are sold for cash and at a price that is not significantly less than the market price of the Company's shares of the same class as at the time of disposal in accordance with section 186(3) sentence 4 AktG. The combined pro rata amount of the share capital represented by the number of shares sold under this authorization, together with the pro rata amount of the share capital represented by any shares issued since this authorization became effective, i.e., on or after May 16, 2019, on the basis of any authorizations to issue shares from authorized capital with shareholders pre-emption rights disapplied in accordance with section 186(3) sentence 4 AktG or otherwise issued or sold in accordance with section 186(3) sentence 4 AktG (applied directly or with the corresponding changes) must not exceed 10 % of the share capital of the company, either at the time of the resolution or – if this value is lower – at the time this authorization is exercised. This limit includes shares issued or to be issued to service convertible bonds or bonds with warrants or options to the extent that these bonds or options are issued from the effective date of this authorization (May 16, 2019) in accordance with section 186(3) sentence 4 AktG (with the corresponding changes).

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

(3) With the approval of the Supervisory Board, they can be offered and sold as consideration, so that the Company or one of its subsidiaries are issued copyright or third-party intellectual property rights, such as patents or brands in particular, or licenses to such rights, for the marketing and development of CompuGroup Medical SE products.

(4) The shares can also be used to fulfill options arising from stock options issued by the Company in accordance with the authorization provided by the Annual General Meeting to grant pre-emption rights (stock options) to members of the Management Board and executives of CompuGroup Medical SE, and to members of the management and executives of subsidiary associated companies; if treasury shares are to be transferred to members of the Management Board of the Company in this context, the above authorization applies to the Supervisory Board.

(5) The shares can be used to service or secure purchase obligations or purchase rights to CompuGroup shares, in particular from and in connection with convertible bonds or bonds with warrants issued by the Company or subsidiary associated companies.

(6) In addition, with the approval of the Supervisory Board, the shares can also be canceled without the cancellation or execution requiring a further Annual General Meeting resolution.

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

Shareholders' pre-emption rights to treasury shares are disapplied if these shares are used as per the above authorizations in (1) to (5).

c) Reserves
The changes in the CGM Group's reserves under consolidated equity are as follows:

	Dec 31, 2019 EUR '000	Dec 31, 2018 restated EUR '000	Dec 31, 2018 EUR '000
As at January 1	273,067	208,566	221,484
Changes due to the application of new standards IFRS 15 and IFRS 9	0	–15,052	–15,052
Consolidated net income for the period	65,819	96,085	92,338
Actuarial gains and losses	–4,107	878	878
Dividend distribution	–24,414	–17,403	–17,403
Stock option program	1,435	95	95
Non-controlling interests from acquisitions	0	–29	–29
Purchase of additional shares from non-controlling interests since achieving a majority	–1,088	–72	–72
Other Changes	0	–1	–1
As at December 31	310,712	273,067	282,238

Financial year 2018 is shown here in adjusted form, and includes adjustments resulting from the remeasurement of the stock option of a former member of the Management Board for as cash-settled. Further information can be found under note 3. Corrections in accounting.

The most significant developments in 2019 are described below:
The adoption of the new standard IFRS 16 has no effect on other reserves. In the previous year, the accumulated effects of the adoption of IFRS 15 and IFRS 9 of EUR -15,052 thousand in total were recognized in other reserves.

The consolidated net income for the period (attributable to the shareholders of the parent company) of EUR 65,819 thousand (previous year (restated): EUR 96,085 thousand) was transferred to the reserves.
By way of resolution of the Annual General Meeting of May 15, 2019, a dividend of EUR 24,414 thousand (previous year: EUR 17,403 thousand) was distributed to the shareholders, which translates into a dividend of EUR 0.50 (previous year: EUR 0.35) per entitled share.

By contrast, reserves (capital reserves, retained earnings and dividends on equity instruments) were reduced by the actuarial loss of EUR -4,107 thousand (previous year: EUR 878 thousand).

By acquiring additional shares of non-controlling interests after having already held a majority interest, the reserves decreased by EUR -1,087 thousand (previous year: EUR -72 thousand).

The expenses for stock options of the Management Board members Dr. Ralph Körfgen, Dr. Eckart Pech, Michael Rauch and Hannes Reichl amounted to EUR 1,435 thousand and were recognized in other reserves.

If a dividend is recommended, it will be conditional on shareholder approval at the Annual General Meeting in 2020. Therefore, it is not recognized as a liability in the consolidated financial statements. The Company did not experience any income tax effects as the result of a dividend. The amount of the dividend is exclusively dependent on the single-entity financial statements of CompuGroup Medical SE. For financial year 2019 a dividend of EUR 0.50 per entitled share will presumably be proposed, which translates to a total amount of EUR 24,206 thousand.

d) Reserves from foreign currency translation

	Dec 31, 2019 EUR '000	Dec 31, 2018 EUR '000
As at January 1	–19,310	–20,237
Changes in unrealized gains/losses	–1,268	–3,217
Realized gains and losses (recycling)	2,074	4,144
As at December 31	–18,504	–19,310

Translation differences from translating the foreign currency of foreign operations into the Group's reporting currency (EUR) are recognized in the consolidated financial statements in other comprehensive income and accumulated in the foreign currency translation reserve. Currency translation differences which were recognized earlier in the foreign currency translation reserve (translation 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. Given the management's intentions concerning the internal loan relationship between CompuGroup Medical SE and CompuGroup Holding USA, Inc., the US loan was measured in accordance with IAS 21.15 in the current financial year. The currency gain of EUR 2,074 thousand was reported in other comprehensive income under "Currency translation".

e) Non-controlling interests

Non-controlling interests by company

	Medicitalia S.r.l.		IS Informatik Systeme Gesellschaft für Informationstechnik mbH		Farloyalty S.r.l.	SF Sanità S.r.l. and Farloyalty S.r.l.	Vega Informatica e Farmacia S.r.l.		HABA Computer AG		Total	
EUR '000	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Amount of holding	90%	90%	100%	60%	51%	60%/51%	90%	85%	98%	98%	-	-
Voting interest	90%	90%	100%	60%	51%	60%/51%	80%	75%	98%	98%	-	-
Equity of non-controlling interests	62	65	0	1,060	108	154	607	805	34	27	811	2,111
Dividends paid to non-controlling interests	0	0	1,214	0	119	103	0	0	0	0	1,333	103
Assets	–1,844	644	0	3,554	700	638	5,012	4,524	1,659	1,408	5,527	10,768
Liabilities	–3,787	–119	0	825	902	331	7,294	2,700	2,733	530	7,142	4,267
Result of the company	–31	364	0	269	183	198	670	298	378	266	1,200	1,395

Only Farloyalty S.r.l. is shown in financial year 2019, as SF Sanità S.r.l. was liquidated at the beginning of the year.

Changes in non-controlling interests in financial year 2019

	Dec 31, 2019 EUR '000	Dec 31, 2018 EUR '000
As at January 1	2,111	1,886
Share of profit for the year	332	257
Addition Medicitalia S.r.l.	0	29
Addition Qualitätsverbund MED-IT GmbH & Co. KG	62	0
Dividend distribution to non-controlling shareholder	–1,408	–103
Purchase of additional shares from non-controlling interests sience achieving a majority interest	–269	42
Disposal of SF Sanità S.r.l.	–17	0
As at December 31	811	2,111

Addition of non-controlling interests Qualitätsverbund MED-IT GmbH & Co. KG, Germany
Please refer to note 11. Company acquisitions and disposals for information on the addition of non-controlling interests in Qualitätsverbund MED-IT GmbH & Co. KG.

Acquisition of additional interests in subsidiaries
The CGM Group carried out the following transactions with non-controlling shareholders in financial year 2019:

Acquisition of additional shares in Qualitätsverbund MED-IT GmbH & Co. KG, Germany
The transfer of the outstanding 26.91 % interest in Qualitätsverbund MED-IT GmbH & Co. KG to CGM Medistar Systemhaus GmbH (formerly: K-LINE Praxislösungen GmbH) was resolved as at June 30, 2019. The purchase price was EUR 6 thousand and has been fully paid as at the reporting date. CGM Medistar Systemhaus GmbH now holds 100 %of the shares in Qualitätsverbund MED-IT GmbH & Co. KG.

Acquisition of additional shares in IS Informatik Systeme Gesellschaft für Informationstechnik mbH, Germany
The transfer of the outstanding 40 % interest in IS Informatik Systeme Gesellschaft für Informationstechnik mbH to LAUER-FISCHER GmbH was resolved as at June 30, 2019. The purchase price was EUR 1,100 thousand and has been fully paid as at the reporting date. LAUER-FISCHER GmbH now holds 100 % of the shares in IS Informatik Systeme Gesellschaft für Informationstechnik mbH.

Acquisition of additional shares in Vega Informatica e Farmacia S.r.l., Italy
The transfer of a further 4.5 % interest in Vega Informatica e Farmacia S.r.l. to CompuGroup Medical Italia Holding S.r.l. was resolved as at May 15, 2019. The purchase price was EUR 250 thousand and has been fully paid as at the reporting date. CompuGroup Medical Italia Holding S.r.l. now holds 100 % of the shares in Vega Informatica e Farmacia S.r.l.

The effect of the change in the CGM Group's interest in the equity attributable to shareholders of the parent company in financial year 2019 is as follows:

	2019			2018
EUR '000	Qualitätsverbund MED-IT GmbH & Co. KG	IS Informatik Systeme Gesellschaft für Informationstechnik GmbH	Vega Informatica e Farmacia S.r.l.	OWL Computer SL
Book value of acquired non-controlling interests	–34	33	–268	–42
Purchase price paid to non-controlling shareholders	6	1,100	250	30

55. Retirement plans and provisions for post-employment benefits and other non-current provisions
Benefits provided by the CGM Group's pension plan consist of defined benefit and defined contribution plans for employees in Germany, the Netherlands, Austria, Switzerland and the US.

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 % (employer's share) in relation to the pension-based employee remuneration. In addition, the CGM Group offers occupational pension plans (direct insurance) in the form of deferred remuneration 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 income transferred to the savings plan with employers having the option of increasing their contributions. An increase in employer contributions is 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 16,203 thousand (previous year: EUR 15,144 thousand) recognized in income statement represent the 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 US 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

The CGM Group offers defined benefit plans for employees in Germany, Switzerland and the Netherlands.

CompuGroup Medical Deutschland AG has vested pension obligations for current and former employees. The Company has pledged guaranteed retirement and disability pensions to four former employees on reaching retirement age. 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 the event of the death of these employees, surviving dependents are entitled to 60 % 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 the early retirement of current and former employees who are entitled to benefits, the agreed pension obligations are reduced by 0.5 % per month until the agreed retirement age of 65.

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. Given the inclusion of the statutory minimum pension provision in accordance with Swiss law through Swiss occupational pension plans, the pension plan is recognized as a defined benefit plan. All benefits vest immediately. Under the legal requirements, the employer is required to pay 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, there are defined benefit plans typically dependent 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	Part of the salary not included in the pension calculation
Basis of the pension obligations	Insured salary less offset
Regular years of paying into pension	Number of years of service until entitlement to retirement (maximum 44 years)
Indexation for active employees	Uncapped salary indexation
Indexation for employees/retirees	Uncapped inflation rate
Employees who have left the company/ retirees	
Pension plan	Average payments
Retirement pension	2.25 % of the basis of the pension obligations
Survivor's pension	54.44 % of retirement pension (fully funded)
Orphan's pension	10.89 % of retirement pension
Waiver of premium disability	Yes

The defined benefit pension plan for the Dutch subsidiary's active employees was changed in 2013. 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 in accordance with section 23 of the Angestelltengesetz (Austrian Salaried Employees Act) and section 2 of the Arbeiterabfertigungsgesetz (Austrian Employees Severance Pay Act) that are considered post-employment benefits in accordance with IAS 19. These severance payment provisions constitute a severance payment in relation to payments that eligible employees receive at the point of departure from the company. Payment of severance provisions is also dependent on the reason the employee leaves the company. In addition, surviving dependents are paid 50 % of existing severance payment benefits in the event of death.

The defined benefit pension plan in Turkey has a similar structure to the above pension benefits of Austrian employees, and is also considered a post-employment benefit in accordance with IAS 19. In accordance with social legislation, the company is required to pay a lump-sum severance payment for each employee when they leave. This obligation arises when the employee has completed at least one year of employment, his employment was terminated without cause, 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 6,379.86 (EUR 954) per working year.
There are also provisions at 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. The TFR fund is equivalent to severance pay based on the years of service that eligible employees receive when they leave the company.

The present value of defined benefit obligations from the underlying plan is determined using a discount rate derived from the yields on prime, fixed-rate corporate bonds. The term of the underlying corporate bond is consistent with the estimated term of the post-employment benefit obligations.

In general, the 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 parameters were made in determining the defined benefit obligation and related plan assets:

Assumptions used for the purposes of the actuarial valuations were as follows:	Germany		Austria		Netherlands		Italy		France		Switzerland		Turkey	
	Dec 31, 2019	Dec 31, 2018	Dec 31, 2019	Dec 31, 2018	Dec 31, 2019	Dec 31, 2018	Dec 31, 2019	Dec 31, 2018	Dec 31, 2019	Dec 31, 2018	Dec 31, 2019	Dec 31, 2018	Dec 31, 2019	Dec 31, 2018
Discount rate(s) in %	0.39	1.40	0.71	1.70	0.95	1.90	0.71	1.70	0.99	1.90	0.15	1.00	11.70	15.40
Expected rate(s) of salary increase in %	n/a	n/a	2.50	2.50	n/a	n/a	3.00	3.00	3.00	3.00	1.60	1.60	8.00	11.20
Pension growth rate(s) in %	1.75	1.75	n/a	n/a	1.70	2.00	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 (based on the 2018 G Heubeck mortality tables). For the Netherlands, pension obligations are based on the new mortality rates according to the AG2018 table.

The amounts recognized in total comprehensive income for the defined benefit plans are as follows:

	Dec 31, 2019 EUR ´000	Dec 31, 2018 EUR ´000
Service cost		
Current service cost	1,767	2,279
Past service cost and (gain)/loss from settlements	–59	–119
Net interest expense	326	256
Components of defined costs recognized in profit or loss	2,034	2,416
Remeasurement of the net defined benefit liability		
Expenses (+)/income (-) from plan assets (without amounts included in net interest expense)	115	–88
Actuarial gains and losses arising from changes in demographic assumptions	–126	180
Actuarial gains and losses arising from changes in financial assumptions	4,613	–526
Actuarial gains and losses arising from experience adjustments	–590	–360
Other effects	6	–524
Components of defined benefit costs recognized in other comprehensive income	4,018	–1,318
Total	6,052	1,098

The annual cost in of EUR 2,034 thousand (previous year: EUR 2,416 thousand) is recognized in full in the personnel expenses of the CGM Group. Defined benefit expenses arising from the remeasurement of the net liability for defined benefit plans in the amount of EUR 4,018 thousand (previous year: EUR -1,318 thousand) were recognized in other comprehensive income.

The defined benefit obligations developed as follows in the financial year:

EUR ‘000	Present value of obligations	Fair value of plan assets	Total
As at January 1, 2019	24,966	–3,908	21,058
Current service cost	1,767	0	1,767
Interest income/cost	439	–113	326
Expense (+)/income (-) from plan assets (without amounts included in net interest expense)	0	115	115
Actuarial gains and losses arising from changes in demographic assumptions	–126	0	–126
Actuarial gains and losses arising from changes in financial assumptions	4,613	0	4,613
Actuarial gains and losses arising from experience adjustments	–590	0	–590
Other effects	6	0	6
Past service cost including gains and losses on curtailments	–59	0	–59
Liabilities assumed from business combinations / acquisitions	350	0	350
Liabilities assumed in mergers and transfers	364	–284	80
Exchange rate differences from foreign pension plans	474	–322	152
Benefits paid	–105	–491	–596
Contributions by the employer	0	–481	–481
Contributions by plan participants	199	–199	0
As at December 31, 2019	32,298	–5,683	26,615

EUR '000	Present value of obligations	Fair value of plan assets	Total
As at January 1, 2018	24,095	–2,926	21,169
Current service cost	2,279	0	2,279
Interest income/cost	336	–80	256
Expense (+)/income (-) from plan assets (without amounts included in net interest expense)	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 gains and losses on curtailments	–119	0	–119
Exchange rate differences on foreign pension plans	445	–269	176
Benefits paid	–1,030	90	–940
Contributions by the employer	0	–445	–445
Contributions by plan participants	190	–190	0
As at December 31, 2018	24,966	–3,908	21,058

The fair values of plan assets (defined benefit obligations for Germany and the Netherlands) are entirely attributable to the "reinsurance" asset class. The existing "reinsurance" assets are qualifying insurance policies, and therefore plan assets not traded on 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	Dec 31, 2012	Dec 31, 2013	Dec 31, 2014	Dec 31, 2015	Dec 31, 2016	Dec 31, 2017	Dec 31, 2018	Dec 31, 2019
Present value of pension commitment	14,805	11,490	19,982	21,770	23,231	24,095	24,966	32,298
Fair value of plan assets	–3,925	–990	–2,555	–2,940	–3,094	–2,926	–3,908	–5,683
Shortfall	10,880	10,500	17,427	18,830	20,136	21,169	21,058	26,615

A total EUR 644 thousand (previous year: EUR 574 thousand) is expected to be paid into pension plans in financial year 2020.

Sensitivity analysis

The primary actuarial assumptions used to determine the defined benefit obligation in the 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 at the reporting date of December 31, 2019. When presenting the effect of a change in one actuarial assumption in the sensitivity analysis, other actuarial assumptions remain unchanged.

	Increase		Decrease	
	in %	EUR' 000	in %	EUR' 000
Impact of the discount rate on pension commitment	0.50%	–2,665	0.50%	3,295
Impact of future salary increases on pension commitment	0.50%	1,214	0.50%	–1,019
Impact of future pension development on pension commitment	0.50%	970	0.50%	–878

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 4,366 thousand; previous year: EUR 3,727 thousand) are calculated with a discount rate of 0.4 % (previous year: 1.4 %). In accordance with the option in IAS 19, the interest component is not accounted as part of net interest income but as part of the operating cost and includes a change of interest of effectively 1.0 %. The social security payments were considered with a 19.375 %of the anniversary provision. The calculation is based on the 2018 G Heubeck mortality tables.

An anniversary provision of EUR 141 thousand was calculated for Netherlands. An interest rate of 0.95 % was used as the discount rate. The calculation was based on the AG2018 mortality tables.

56. Financial liabilities (current and non-current)
The financial liabilities of the CGM Group comprise the following:

	Dec 31, 2019		Dec 31, 2018	
EUR '000	Current	Non-current	Current	Non-current
Liabilities to banks	38,810	410,838	5,822	302,602
Other loans	4,413	13,617	5,121	17,083
Total	43,223	424,455	10,943	319,685

All liabilities classified as finance leases were assigned to other loans and therefore financial liabilities in financial year 2018. As a result of the adoption of IFRS 16, lease liabilities are reported separately under note 57. Lease liabilities (current and non-current) in 2019, which resulted in a reduction of EUR 961 thousand.

In financial year 2019, new liabilities to banks and other loans amounting to EUR 188,495 thousand (previous year: EUR 297,329 thousand) were obtained and existing liabilities to banks and other loans amounting to EUR 54,005 thousand (previous year: EUR 341,265 thousand) were repaid. Financial liabilities increased by EUR 1,760 thousand as a result of changes in the scope of consolidation. Furthermore, other loans increased by a non-cash amount of EUR 1,761 thousand.

a) Liabilities to banks
Liabilities to banks comprise the following:

	Book value as at Dec 31, 2018 EUR '000	Interest rate as at Dec 31, 2019 in %	Currency	Year due	Book value as at Dec 31, 2019 EUR '000	Fair value as at Dec 31, 2019 EUR '000
Syndicated Loan	273,559	0.80%	EUR	2024	398,855	398,855
Secured bank loan	15,000	0.61%	EUR	2020	15,000	15,006
Other secured bank loans	8,444	1,60 % - 3,30 %	EUR	2020-2023	7,841	28,655
Other unsecured bank loans	11,421	0,80 % - 2,85 %	EUR	2020-2023	27,952	8,410
Total	308,424		449,648		449,648	450,926

As at December 31, 2019, the Group had gross debt of EUR 449,648 thousand (previous year: EUR 308,424 thousand). The Group held cash of EUR 46,350 thousand (previous year: EUR 25,302 thousand).

On June 22, 2018, CGM entered into a new syndicated loan agreement with a syndicate of banks for a revolving credit facility in the amount of EUR 400,000 thousand. As a result, the existing syndicated loan agreement was terminated and repaid.

The syndicated loan has a total term of five years with two renewal options of one year each. The first option was exercised in June 2019. The interest rate is based on EURIBOR for the chosen interest period plus a margin that can change in contractually regulated stages based on the leverage ratio. A margin of 0.7 % has been set for the first six months of the term. As at December 31, 2019, the revolving credit facility was utilized in the amount of EUR 400,000 thousand. The interest rate was 0.8 % as at December 31, 2019.

In addition, loan commitment fees of EUR 1,634 thousand in total were incurred in 2018, which will be recognized in profit or loss using the effective interest method over the term of the loan agreement. The amount recognized in 2019 was EUR 297 thousand (previous year: EUR 160 thousand). Interest rates have not been hedged for the syndicated loan. The loans have been granted subject to compliance with contractually agreed financial covenant (leverage ratio).

Various German Group companies have issued joint and several payment guarantees for this loan agreement (default liability for non-payment by CompuGroup Medical SE).

In the current financial year 2019, CompuGroup Medical fully complied with all financial covenants in the existing credit agreements.

b) Other loans
Other loans amounted to EUR 18,030 thousand as at December 31, 2019 (previous year: EUR 22,204 thousand). This essentially relates to the financing of the "OneGroup Project" in the form of a "sale and hire-purchase back" transaction, which is reported under other financial liabilities.

c) Expected payments for financial liabilities

EUR '000	Total financial debt	of which liabilities to banks
2020	43,223	38,810
2021	9,505	5,032
2022	7,542	3,010
2023	7,408	2,796
2024	400,000	400,000
Total	467,678	449,648

The syndicated loan of EUR 400,000 thousand was refinanced in February 2020. For further information, please refer to note 89. Events after the reporting date.

57. Lease liabilities (current and non-current)
Lease liabilities break down as follows:

EUR '000	Dec 31, 2019		Jan 1, 2019	
	Current	Non-current	Current	Non-current
Accounts payable: Property and buildings – IFRS 16	9,970	23,600	10,360	21,477
Accounts payable: Vehicles – IFRS 16	4,521	4,660	4,403	3,761
Accounts payable: Other – IFRS 16	145	229	177	237
Total	14,636	28,489	14,940	25,475

The opening balance was restated due to the adoption of IFRS 16 as at January 1, 2019. Further information can be found in note 5. a) IFRS 16 Leases. The lease liabilities of the companies acquired in financial year 2019 amount to EUR 5,630 thousand as at December 31, 2019.

58. Purchase price liabilities (current and non-current)

	Dec 31, 2019 EUR ´000			Dec 31, 2018 EUR ´000		
resulting from business combination	current EUR '000	non-current EUR '000	Total EUR '000	current EUR '000	non-current EUR '000	Total EUR '000
Fablab S.r.l.	0	2,603	2,603	0	0	0
Farma3Tec S.r.l.	1,720	0	1,720	1,720	0	1,720
La-Well Systems GmbH	0	1,381	1,381	0	1,466	1,466
Qualizorg B.V.	0	2,500	2,500	0	0	0
Innomed GmbH	5,687	0	5,687	5,320	0	5,320
Other	2,713	1,307	4,020	2,446	2,323	4,769
Total	10,120	7,791	17,911	9,486	3,789	13,275

Changes to previous year
Innomed Gesellschaft für medizinische Softwareanwendungen GmbH: In financial year 2018, the put option of a non-controlling shareholder for 9.9 % of the shares in Innomed Gesellschaft für medizinische Softwareanwendungen GmbH was exercised. There was an exercise price of EUR 2,502 thousand based on defined revenue figures, EUR 2,263 thousand of which was already paid as at December 31, 2018. The outstanding purchase price of EUR 239 thousand was paid in the first quarter of 2019.

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 % of shares in Innomed. The purchase price is based on average EBITDA for the years 2018 and 2019 multiplied by a factor of six. Furthermore, the undistributed profits of EUR 5,025 thousand since financial year 2010 are recognized pro rata (19.8 %) in the purchase price liability (EUR 5,687 thousand). Following a contractual extension, the put options can now be exercised until December 31, 2023.

Farma3Tec S.r.l.: Call and put options were agreed for the acquisition of the outstanding 20.02 % of the shares in Farma3Tec. Following a contractual extension of the exercise period for both the call and the put options, these can now be exercised at any time between August 30, 2019 and April 30, 2021 at a fixed purchase price of EUR 1,720 thousand.

Non-current purchase price liabilities (due in more than one year)
Fablab S.r.l.: The purchase agreement contains contingent consideration in the form of earn-out agreements providing for two additional purchase price payments based on fixed earnings figures for the financial years 2021 and 2022. The figure expected to be paid out under the earn-out agreements is EUR 2,603 thousand in total and is recognized under non-current purchase price liabilities.

La-Well Systems GmbH: A call and put option was agreed for the acquisition of further 25 % of the shares in La-Well, which was recognized at a fair value of EUR 1,381 thousand under non-current purchase price liabilities.

Qualizorg B.V.: According to the signed share purchase agreement, the purchase price for 100 % of the shares amounts to EUR 9,656 thousand, EUR 7,156 thousand of which was already paid as at the reporting date. In addition, contingent purchase price payments of EUR 2,500 thousand are expected by 2021.

59. Trade payables

EUR '000	Dec 31, 2019	Dec 31, 2018
Trade payables	47,093	39,293

Trade payables amounting to EUR 47,093 thousand (previous year: EUR 39,293 thousand) have a maturity of up to one year. Trade payables from companies acquired in financial year 2019 amount to EUR 3,752 thousand.

60. Contract liabilities
Contract liabilities break down as follows:

EUR '000	Dec 31, 2019		Dec 31, 2018	
	Current	Non-current	Current	Non-current
Contract liabilities	42,485	6,114	33,951	7,108

Contract liabilities result exclusively from contracts with customers. The revenues recognized in 2019, which were included in the balance of contract liabilities at the beginning of the financial year, amount to EUR 33,951 thousand (previous year: EUR 36,488 thousand), EUR 13,594 thousand (previous year: EUR 15,672 thousand) of which relates to performance obligations that were fulfilled or partially fulfilled in earlier periods.

The acquisition of subsidiaries increased contract liabilities by EUR 9,281 thousand (previous year: EUR 53 thousand).

61. Other provisions

The development of short-term provisions for personnel and other provisions for financial year 2019 is as follows:

EUR '000	Personnel* expenses	Guarantee and sales commitments	External year-end accounting costs	Legal charges	Others	Total*
As at Jan 1, 2019	41,873	1,751	2,288	1,418	3,471	50,801
Exchange rate differences	15	4	3	–4	–4	13
Addition from first-time consolidation	1,816	68	71	76	144	2,175
Disposal due to deconsolidation	0	0	0	–16	0	–16
Arising during the year	25,974	415	1,421	409	320	28,539
Utilized	–32,329	–206	–1,246	–182	–2,333	–36,296
Unused amounts reversed	–2,034	–58	–345	–144	–479	–3,060
As at Dec31, 2019	35,315	1,974	2,192	1,557	1,119	42,156

* Restatement of prior-year figures, see note 3. Corrections in accounting.

The development of short-term provisions for personnel and other provisions for the prior-year period 2018 is as follows:

EUR '000	Personnel expenses*	Guarantee and sales commitments	External year-end accounting costs	Legal charges	Others	Total*
As at Jan 1, 2018	**44,407**	**725**	**1,947**	**1,800**	**2,813**	**51,692**
Exchange rate differences	–36	0	–3	–7	–7	–53
Addition from first-time consolidation	215	0	34	0	2	251
Disposal due to deconsolidation	0	0	0	0	0	0
Arising during the year	25,275	1,741	2,256	214	3,474	32,960
Utilized	–19,706	–705	–1,746	–369	–2,678	–25,204
Unused amounts reversed	–8,282	–10	–200	–220	–133	–8,845
As at Dec31, 2018	**41,873**	**1,751**	**2,288**	**1,418**	**3,471**	**50,801**

* Adjustment of the prior year, see Note 3. Corrections in accounting

Provisions for personnel expenses primarily result from provisions for wages and salaries (2019: EUR 20,539 thousand; previous year: EUR 16,256 thousand). In addition, this item includes bonuses and commission (2019: EUR 6,965 thousand; previous year restated: EUR 18,273 thousand), vacation provisions (2019: EUR 6,781 thousand, previous year: EUR 6,412 thousand), and overtime provisions (2019: EUR 1,030 thousand, previous year: EUR 932 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 recognized for litigation costs in financial year 2019 largely stem from the subsidiaries CGM Solutions France (EUR 973 thousand), Intermedix France (EUR 24 thousand), Imagine Editions SAS France (EUR 120 thousand). They mainly relate to legal disputes with former employees and customers.

Provisions for guarantees and litigation costs are, by their very nature, subject to higher levels of uncertainty. Other provisions essentially relate to short-term provisions.

62. Other financial and non-financial liabilities and derivative financial instruments

a) Other financial liabilities

Other financial liabilities are broken down as follows:

	Dec 31, 2019		Dec 31, 2018	
	Current EUR '000	Non-current EUR '000	Current EUR '000	Non-current EUR '000
Lease liabilities*	0	0	128	833
Loans	4,413	13,617	601	0
Liabilities from wages and salaries	0	0	3,796	0
Debtors with credit balances	1,559	0	1,419	0
Financing of SAP "OneGroup Project"	0	0	4,392	16,250
Other financial liabilities	1,877	2	1,256	52
Total	7,849	13,619	11,592	17,135

* Reported separately from 2019. See Note 57. Leasing liability (current and non-current)

The loans essentially include the financing of the SAP OneGroup project. Unlike in the previous year, liabilities from wages and salaries of EUR 3,826 thousand (previous year: EUR 3,796 thousand) are now reported under other non-financial liabilities rather than other financial liabilities.

b) Other non-financial liabilities

Other non-financial liabilities are broken down as follows:

	Dec 31, 2019		Dec 31, 2018	
	Current EUR '000	Non-current EUR '000	Current EUR '000	Non-current EUR '000
VAT, payroll tax	8,127	0	15,616	0
Guarantees	0	1,193	0	1,263
Liabilities for social security costs	3,143	0	2,614	0
Other non-financial liabilities	87	0	56	0
Liabilities from wages and salaries	3,826	0	0	0
Total	15,183	1,193	18,286	1,263

Unlike in the previous year, liabilities from wages and salaries of EUR 3,826 thousand (previous year: EUR 3,796 thousand) are now reported under other non-financial liabilities rather than other financial liabilities.

c) Derivative financial instruments

As in the previous year, the CGM Group does not disclose any derivative financial instrument classified as liability at the reporting date as at December 31, 2019.

63. Liabilities related to assets held for sale

There were no liabilities related to assets held for sale as at December 31, 2019. The company CompuGroup Medical Malaysia Sdn Bhd was successfully sold on October 31, 2019. Accounts payable of EUR 240 thousand were reclassified as held for sale as at December 31, 2018.

64. Sales revenues

Sales revenues can be broken down as follows:

EUR '000	2019	2018
Software licenses	53,668	53,598
Software maintenance and other recurring sales revenue	460,816	414,720
Services	95,718	96,931
Hardware	92,589	112,128
Advertising, e-detailing and data	34,314	30,598
Software-assisted medicine	3,991	5,528
Other revenues	4,712	3,520
Total	745,808	717,023

Consolidated revenue is essentially generated from contracts with customers within the meaning of IFRS 15. Other revenues that do not fall within the scope of IFRS 15 (EUR 12,154 thousand; previous year: EUR 8,909 thousand) predominantly result from leases with customers.

Please refer to the segment report, for a breakdown of sales revenues in accordance with IFRS 15,114.

No information is provided on the remaining benefit obligations as at December 31, 2019, which have an original expected duration of one year or less according to IFRS 15.

The total amount of the transaction price of the unfulfilled or partially unfulfilled performance obligations as at December 31, 2019 is EUR 85,541 thousand (previous year: EUR 84,488 thousand). Management expects that this will result in the recognition of the following amounts of sales revenue in the coming financial years:

within 1 year EUR '000	within 1 - 5 years EUR '000	within > 5 years EUR '000
45,563	39,978	0

65. Research and development expenses and capitalized inhouse services

a) Research and development expenses

Research and development expenses include all costs arising in the course of software research and development activities. These costs amounted to EUR 134.9 million in financial year 2019 (previous year: EUR 118.2 million).

EUR 79.6 million (previous year: EUR 73.4 million) of this relates to development costs incurred due to statutory or contractually contracted ongoing development work (updates, maintenance, etc.), which cannot be predetermined or controlled by the CGM Group.

The other expenses for research and development, which were recognized in the income statement, amounted to EUR 55.3 million (previous year: EUR 44.8 million), EUR 24.6 million (previous year: EUR 18.5 million) of which was recognized as capitalized inhouse services.

b) Capitalized inhouse services

Capitalized inhouse services within the CGM Group relate to the capitalization of expenses for software development services and the applicable expenses of its own employees for the Group-wide launch of the new enterprise resource planning (ERP) and customer relationship management (CRM) software as part of the "One Group" project that satisfies IAS 38 criteria.

Approximately 537,525 working hours were rendered (previous year: approximately 452,760 hours) and capitalized along with their applicable cost rates in financial year 2019. Depending on the country, the hourly rate for capitalization is between EUR 27 and EUR 73. The assets in progress were tested for impairment but did not give rise to any impairment for financial year 2019.

66. Other income

EUR '000	2019	2018
Income from services performed	643	686
of which rental income	178	339
of which income from invoiced services	51	111
of which investment grants	414	236
Remaining other operating income	12,815	7,348
of which income from compensation for damages	582	392
of which earnings on disposals of business units and non-current assets	373	227
of which income from impairment losses/reversals	4,787	3,747
of which other	7,073	2,982
Total	13,458	8,034

Rental income essentially relates to the letting of office, warehouse and training space in Koblenz to related parties. Investment grants were provided to subsidiaries in Germany, Sweden and France.

The income from services performed relates to income from the provision of administrative services for related parties.

In particular, the "Other" item includes income of EUR 3,659 thousand from the remeasurement of shares acquired in company acquisitions achieved in stages in financial year 2019 in accordance with IFRS 3.42.

67. Expenses for goods and services purchased

EUR '000	2019	2018
Software licenses	10,948	7,306
Purchased services for software maintenance and other recurring sales revenue	41,923	45,600
Services	15,470	29,861
Hardware	62,149	59,045
Advertising, e-detailing and data	4,706	4,776
Other expenses for goods and services purchased	3,760	4,840
Total	138,956	151,428

"Purchased services for software maintenance and other recurring sales revenue" primarily relates to external service providers operating the customer service hotline and sales activities.

68. Personnel expenses and employees

a) Personnel expenses

EUR '000	2019	2018*
Salaries	270,868	219,098
Employer social security costs	56,707	49,201
of which net pension expenses – pension obligations	2,034	2,416
of which net pension expenses – contribution	16,203	15,144
Termination benefits, early withdrawals and similar	1,581	2,969
Other personnel expenses	10,285	10,145
Total	339,442	281,413

* Restatement of prior-year figures, see note 3. Corrections in accounting

Contributions to domestic statutory pension insurance amounted to EUR 10,112 thousand in financial year 2019 (previous year: EUR 8,805 thousand).

The measurement of the stock options resulted in an expense for share-based remuneration for active members of the Management Board of EUR 1,435 thousand (previous year: EUR 95 thousand). Personnel expenses also include expenses for share-based remuneration for a former member of the Management Board of EUR 3,899 thousand. Further information can be found under note 3. Corrections in accounting.

b) Employees

The average number of CGM Group employees for the financial years 2019 and 2018 were as follows:

	2019	2018
Full-time employees	4,501	3,951
Apprentices	169	118
Part time employees	746	672
Total	5,416	4,741

The average number of employees in a managerial role within the CGM Group amounts to 86 (previous year: 79). The Management Board of CompuGroup Medical SE was not counted.

69. Other expenses

Other expenses can be broken down as follows:

EUR '000	2019	2018
Outsourcing	34,383	31,639
Legal and consulting fees	26,281	12,561
Advertising/entertainment	10,876	10,565
Travel expenses	9,641	8,786
IT (software, maintenance etc.)	9,296	8,183
Costs of motor vehicles	7,798	11,586
Occupancy	6,755	16,202
Losses on disposal of non-current assets	798	143
Other	17,447	20,665
Total	123,275	120,330

The increase in legal and consulting fees relates to an M&A transaction that was suspended. In particular, the “Other” item relates to costs for the Supervisory Board and members of the Works Council of EUR 560 thousand (previous year: EUR 644 thousand) and incidental costs of monetary transactions of EUR 1,115 thousand (previous year: EUR 1,196 thousand). As a result of the adoption of IFRS 16 as at January 1, 2019, payments in connection with leases classified as operating leases in the previous year are no longer shown under other expenses. This led to a sharp reduction in the vehicle and premises costs. Please see note 5. a) IFRS 16 Leases and note 34. Leases for further information on the effects of the adoption of IFRS 16.

70. Depreciation and amortization

Depreciation of property, plant and equipment breaks down as follows:

EUR '000	2019	2018
Property and buildings	2,432	2,489
Other fixed assets and office equipment	9,486	8,926
Total	11,918	11,415

Amortization of intangible assets is comprised as follows:

EUR '000	2019	2018
Goodwill	1,250	2,871
Acquired software rights	12,870	10,944
Customer relationships	13,937	12,015
Trademark rights	1,883	2,561
Order backlog	0	78
Capitalized inhouse services	4,063	4,719
Total	34,004	33,188

Depreciation on right-of-use assets breaks down as follows:

EUR '000	2019	2018
Property and buildings - IFRS 16	11,130	0
Vehicles - IFRS 16	5,276	0
Other - IFRS 16	197	0
Total	16,603	0

IFRS 16 has been applied since January 1, 2019, resulting in the recognition of depreciation on right-of-use assets. The figures for the previous year have not been restated as the Group has applied the modified retrospective method.

Impairment in accordance IFRS 5 of EUR 331 thousand was recognized on certain assets and liabilities qualified as held for sale in financial year 2019. For further information, see note 53. Assets qualified as held for sale and note 63. Liabilities related to assets held for sale.

71. Result from companies accounted for using the equity method

The results from companies accounted for using the equity method amount to EUR -1,785 thousand in financial year 2019 (previous year: EUR -293 thousand). This essentially results from the measurement at equity of MGS Meine Gesundheit Services GmbH.

72. Financial income and financial expenses

a) Financial income

Financial income is broken down as follows:

EUR '000	2019	2018
Bank interest	890	57
Currency gains	329	64
Other	848	1,889
Total	2,067	2,010

Bank interest includes interest income from bank balances of EUR 764 thousand. This was reported under "Other" in financial year 2018 (EUR 1,056 thousand). In particular, other financial income includes income from the reversal of purchase price liabilities of EUR 674 thousand in financial year 2019 (previous year: EUR 445 thousand).

b) Financial expenses

Financial expenses are broken down as follows:

EUR '000	2019	2018
Bank interest	4,306	7,061
Capitalized borrowing costs on qualified assets	–699	–656
Transaction costs/loan commitment fees	297	–532
Increase/change in purchase price liabilities	1,198	1,076
Interest on lease liabilities*	712	0
Currency losses**	159	3,896
Other	1,834	0
Total	7,808	10,845

* Reported for first time due to new standard IFRS 16

** Currency losses also included other financial expenses in 2018

Other financial expenses include interest on tax liabilities of EUR 1,361 thousand (previous year: EUR 37 thousand).

73. Income taxes

Income taxes are comprised as follows according to their origin:

EUR '000	2019	2018 restated*
Current income taxes	31,556	42,835
Germany	12,216	25,035
Other countries	19,340	17,800
Deferred taxes	10,038	–5,072
Total	41,594	37,763

* Restatement of prior-year figures, see note 3. Corrections in accounting

Current tax expenses include a tax expense of EUR 3,200 thousand for prior financial years (previous year: EUR 2,487 thousand) plus tax effects of prior losses in Germany. Deferred tax expenses include EUR 1,536 thousand (previous year: EUR -5,072 thousand) for the recognition and reversal of temporary differences plus EUR 8,887 thousand (previous year: EUR -2,423 thousand) from the consumption of tax losses for prior periods, for which deferred tax assets had been recognized.

(Deferred) income taxes, which are recognized directly in other comprehensive income, are broken down as follows:

EUR '000	2019	2018
Deferred taxes	95	440
Arising in connection with income and expenses recognized in other comprehensive income:	95	440
Remeasurement of defined benefit obligation	95	440
Total income taxes for the period recognized other comprehensive income	95	440

The consolidated tax rate serves as the basis for corporation tax and legal structure planning. The Group tax rate is taken as meaning the figure that conveys information on the tax expense (income) of the company. The notional Group tax rate is calculated by dividing the reported income tax expense by the result for the year before taxes. Consequently, the consolidated tax expense is the total amount of current and deferred taxes whereby the utilization of loss carryforwards, the use of tax credits, tax allowances and the book value of deferred tax assets have a favorable effect on the final consolidated tax rate.

The weighted average tax rate was unchanged from the previous year at 30 %, which is equal 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 corporation tax, trade tax and the solidarity surcharge for the former East Germany. For domestic legal entities of the CGM Group, the corporate tax amounts to 15 % (previous year: 15 %), the solidarity surcharge amounts to 5.5 % on corporation tax (previous year: 5.5 % on corporation tax) and the trade tax amounting to 14 % (previous year: 14 %). 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:

	2019		2018 restated*		2018	
	EUR '000	in %	EUR '000	in %	EUR '000	in %
Earnings before taxes from continuing operations	107,745		134,105		128,751	
Income tax expense at a tax rate of 30%	32,324	30.00%	40,233	30.00%	38,625	30.00%
Effects of differing national tax rates	–1,997	–1.85%	–788	–0.59%	–788	–0.61%
Effects of changes in tax rates on deferred taxes	–357	–0.33%	94	0.07%	94	0.07%
Effects from tax losses and offset options for which no deferred tax asset was recognized	4,641	4.31%	1,997	1.49%	1,997	1.55%
Effects from the previously unrecognized and unused tax losses and offset options that are now recognized as deferred tax assets	–111	–0.10%	–3,738	–2.79%	–3,738	–2.90%
Effects of non-tax-deductible expenses	2,235	2.07%	1,233	0.92%	1,233	0.96%
Effects of tax-free earnings	–71	–0.07%	–131	–0.10%	–131	–0.10%
Non-tax-deductible goodwill impairment	311	0.29%	806	0.60%	806	0.63%
Tax expense from previous years (true ups)	1,807	1.68%	519	0.39%	519	0.40%
Effects on tax expense from previous years due to tax audits	1,879	1.74%	–2,670	–1.99%	–2,670	–2.07%
Tax effects from permanent tax differences	–486	–0.45%	–462	–0.34%	–462	–0.36%
Effects of stock option programs	430	0.40%	29	0.02%	0	0.00%
Other tax effects	989	0.92%	641	0.48%	670	0.52%
Effective income tax expense	41,594	38.60%	37,763	28.16%	36,156	28.08%

* Restatement of prior-year figures, see note 3. Corrections in accounting

The effects of changes in tax rates on deferred taxes essentially relate to the Belgian, Norwegian and Swedish subsidiaries.

Effects from deferred tax assets on tax loss carryforwards and temporary differences not recognized predominantly result from CompuGroup Medical Inc., USA, CompuGroup Medical Schweiz AG, Switzerland, CGM Mobile Services GmbH, Turbomed Vetriebs- und Service GmbH, both Germany, CGM Software RO SRL, Romania, and Medigest Consultores SL, Spain.

The effects on tax expenses from previous years due to the tax audit result from risks on the basis of expected results from changes in the findings of external audits.

The actual tax expense includes tax expenses of domestic and foreign companies which are related to other periods.

74. Earnings per share from continuing operations

	Dec 31, 2019	Dec 31, 2018 restated*
Results from continued operations allocated to shareholders of the parent company (EUR '000)	65,819	96,085
Number of ordinary shares	53,219,350	53,219,350
Treasury shares	4,806,709	4,013,458
Outstanding ordinary shares at closing date	48,412,641	49,205,892
Earnings per share from continuing operations (EUR)		
– undiluted	1.35	1.94
– diluted	1.33	1.92

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 as at the reporting date, including stock options, amounted to 49,422,217 (previous year 49,941,232).

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 and regional information. For management purposes and resource allocation, the product and service-related structure is a decisive parameter and is divided into a total of four business segments.

CompuGroup Medical SE changed its segment reporting in the financial year 2019. The previous Health Connectivity Services (HCS) reporting segment was transferred to the new Consumer and Health Management Information Systems (CHS) reporting segment. Drug data business was integrated into the Ambulatory Information Systems (AIS) reporting segment. In addition, product development areas were assigned to the new CHS segment that were previously reported under other business activities.

Furthermore, the laboratory information systems business area was reclassified from Ambulatory Information Systems (AIS) to Hospital Information Systems (HIS).

In addition, the reorganization of individual reporting units of the Group (profit centers) led to further changes in the composition of the business and reporting segments. These affected the reporting segments Ambulatory Information Systems (AIS) and Pharmacy Communication Systems (PCS) reporting segments in particular.

CompuGroup Medical SE operates in the following four business segments, which also represent the reporting segments for the external segment reporting of the CGM:

+ Under the new segment structure, Ambulatory Information Systems (AIS) is reported without LAB outside the US and with drug database business. Ambulatory Information Systems (AIS) focuses on practice management software, connectors and electronic medical records for doctors and dentists in private practice, medical care centers and doctor's networks. Furthermore, Internet intranet solutions are offered to service providers (doctors, dentists, hospitals, and clinics) are offered services so that they can exchange information among themselves.
+ Pharmacy Information Systems (PCS) focuses on integrated clinical, administrative and financial software applications for pharmacies and mail order pharmacies.
+ Under the new segment structure, Hospital Information Systems (HIS) is reported with LAB business. HIS incorporates hospital, laboratory and special care information systems (clinical software).
+ Under the new segment structure, Consumer and Health Management Information Systems (CHS) is reported without drug database business. CHS offers software solutions to producer of pharmaceutical and medical devices, which are used to offer doctors 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 doctors through software solutions to asset them in the optimization of decision-making processes.

The Management Board uses earnings before interest, tax, depreciation and amortization (EBITDA), which therefore represents segment earnings, to measure and assess the performance of the business segments.

The reporting segments can be described and summarized as follows:

Ambulatory Information Systems (AIS)
This business segment focuses on practice management software and electronic medical records for doctors in private practice, medical care centers and doctor's networks. Customers are generally primary care providers who are active in ambulatory care and who provide health services to outpatients who visit a healthcare facility and are discharged again on the same day after successful treatment/ consultation. For these healthcare providers, products and services are packaged into an end-to-end solution that covers all clinical, administrative and billing-related functions needed to operate a modern care facility. We also offer supplementary Internet and intranet solutions to guarantee the secure exchange of patient data.

Pharmacy Information Systems (PCS)
This business segment focuses on integrated clinical, administrative and billing-related software applications for pharmacies. Software and related services provide accurate information and helpful decision support to manage the complete medication supply chain from procurement and shipping of medications through efficient management and inventory control all the way to planning, execution and controlling of the retailing function. Safe and cost-efficient dispensing of medications to patients is ensured through advanced of medication safety and control functions and decision support tools for generic substitution and cost optimization strategies. We also offer in-store and online merchandising programs supported by paper-based and electronic communication and advertising solutions.
The Ambulatory and Pharmacy Information Systems business segments are firstly tailored to smaller established service providers, whereby many customers are buyers and decision-makers in addition to being software users on a day-to-day basis. Sales cycles and decision-making processes cycles are short, and installation and provision of software solutions can usually be completed over the course of a few days. Secondly, its product portfolio also offers solutions for larger medical facilities, such as medical care centers or medical practice associations.

Hospital Information Systems (HIS)
This business segment focuses on clinical and administrative solutions for the inpatient sector, where health services are provided over a prolonged time period (from a few days to several years) through highly specialized, secondary care institutions. Customers range from acute care hospitals to rehabilitation centers and social services, including multi-location hospital networks and regional care organizations. The software and related services facilitate patient administration, resource and personnel management, medical documentation and invoicing. In addition, the use of some clinical software applications supports various specialist 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.

Consumer & Health Management Information Systems (CHS)
This area is for 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. Communication and data solutions allow pharmaceutical companies to provide information to healthcare providers through software interfaces. In addition, CGM collects and transfers anonymous clinical data for market studies, clinical trials, etc. The CHS segment also targets healthcare insurers by providing them an information channel to other 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 examples for product and services offerings in this business segment are clinical decision support systems and medications 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.

Activities included in "Other business activities (IFRS 8.16)" essentially comprise income and expenses from the software development area that is centrally located in Koblenz. Unlike in the previous year, these central functions performed in Koblenz (e.g. IT, Human Resources, Legal) are shown under other business segments.

"Reconciliation" includes consolidation between the segments.

The segment information is based on the same reporting and measurement methods as the consolidated financial statements. Transactions among the Group's segment companies are agreed at arm's length.

G. OTHER DISCLOSURES

75. Notes on cash and the cash flow statement

The CGM Group prepares the consolidated cash flow statement in accordance with IAS 7 Statement of Cash Flows. In doing so, 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, cash at banks and other financial assets with a maturity of not more than three months, and correspond to the cash and cash equivalents reported in the balance sheet as at the reporting date. Therefore only short-term securities without any subject to a significant risk of price fluctuations are accounted in cash and cash equivalents. In addition, cash funds include bank deposits (EUR 2,565 thousand), which are mainly classified as restricted cash due to capital export restrictions (see also note 52. Cash and cash equivalents). Effects from currency translation of cash and cash equivalents are adjusted in the calculation and reported separately in the cash flow statement.

Cash flows from operating activities are determined by first adjusting consolidated net income for the period 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 and in net current assets.

Cash flows from investing activities relate to cash outflows for investments in intangible assets, property, plant and equipment, subsidiaries and other business units and investments accounted for using the 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.

Outflows for acquisitions of subsidiaries and other business units relate to company acquisitions shown in the Company acquisitions and disposals.

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, and the cash outflows for the principal portions of finance lease liabilities. The change in financial liabilities in the reporting year was dominated by additional borrowing. Furthermore, loans and liabilities from finance leases have been settled according to schedule.

Payments for income taxes for the period are already included in the consolidated net income for the period, which is the basis for the calculation of cash flows from operating activities. Income taxes actually paid in the reporting period are reported as additional information below the cash flow statement. The same applies to the reporting of interest paid and received.

				Non-Cash				
	Dec 31, 2018	Jan 1, 2019*	Cash flow from financing activities	Changes in scope of consolidation	Currency effects	Other effects**	Change in fair value	Dec 31, 2019
Liabilities to banks	308,424	308,424	138,883	2,342	-	1	-	449,648
Finance lease liabilities	21,603	–21,603	-	-	-	-	-	-
Lease liabilities	0	40,415	–16,572	2,929	–24	13,676	-	40,424
Other loans	601	21,243	–4,393	–601	-	1,781	-	18,030
Total financial liabilities	330,628	348,479	117,918	4,670	–24	15,456	-	508,102

* Restatement of opening balances, see Notes 5.a) IFRS Leases and 62. Other financial liabilities.
** Includes additions from leases, changes in other loans, deferred interest and transaction costs

"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 note 62. a) Other financial liabilities for more information on finance lease liabilities and other loans.

76. Capital management

The 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.

The CGM Group's capital structure consists of net debt (incurred borrowings less cash and cash equivalents) and the consolidated equity. The Group's equity includes issued shares less treasury shares, capital and revenue reserves, other reserves and shares of non-controlling shareholders. A detailed breakdown of the Group's equity can be found under Changes in Consolidated Equity or Equity.

Both the aim and the strategy of capital management are to maintain or optimize the financial ratios specified in the credit agreements in order to continue financing on unchanged or improved terms.

The Group's equity ratio as per the consolidated financial statements as at December 31, 2019 is 24.39 % (previous year: 31.10 %) and is influenced in particular by:

+ the addition of the consolidated net income for the period (EUR 65,819 thousand; previous year restated: EUR 96,085 thousand),
+ the distribution of dividends (EUR -24,414 thousand; previous year: EUR -17,403 thousand),
+ the buyback of treasury shares (EUR -41,063 thousand; previous year: EUR -24,937 thousand),
+ currency conversion differences (EUR 1,236 thousand; previous year: EUR 927 thousand), and
+ actuarial gains and losses (EUR -4,111 thousand; previous year: EUR 878 thousand).

The CGM Group’s gearing ratio as at December 31, 2019 is calculated as follows:

Gearing ratio	Dec 31, 2019 EUR ’000	Dec 31, 2018 EUR ’000*
Financial liabilities**	467,679	330,628
Cash and cash equivalents	46,350	25,302
Net liabilities	421,329	305,326
Equity***	259,916	263,828
Net debt to equity ratio	162%	116%

* Restatement of prior-year figures, see note 3. Corrections in accounting
** Liabilities are defined as current and non-current financial liabilities (not including derivatives and financial guarantees).
*** Equity comprises all capital and reserves of the Group (including non-controlling interests).

Dynamic gearing ratio	Dec 31, 2019 EUR ’000	Dec 31, 2018 EUR ’000*
Liabilities to banks	449,648	308,424
Cash and cash equivalents	46,350	25,302
Net liabilities	403,298	283,122
Earnings before interest, taxes, depreciation and amortization (EBITDA)	178,126	187,836
Net debt to EBITDA ratio	226%	151%

* Restatement of prior-year figures, see note 3. Corrections in accounting

77. 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.

The CGM Group’s financial instruments to be classified as financial investments consist of “Cash and cash equivalents”, “Trade receivables”, “Other financial assets” and “Other investments”.

Financial instruments to be classified as financial liabilities were composed of “Liabilities to banks”, “Purchase price liabilities”, “Trade payables”, “Other financial liabilities” and “Lease 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: The market value of assets and liabilities is calculated on the basis of quoted and unadjusted prices for these or identical assets and liabilities arise on active markets. Tradeability on the principal or most advantageous market on the measurement date is key.
– Level 2 parameters: The market value of assets and liabilities is calculated on the basis of parameters for which either directly or indirectly derived quoted prices are also available on an active market. Examples: Price quotations in non-active markets; observable interest rates and curves; implied volatilities; credit spreads and adjusted Level 1 input factors.
– Level 3 parameters: The market value of assets and liabilities is calculated on the basis of parameters for which no observable market data are available. Examples: interest rates calculated using models; historical volatilities; financial forecast based on company’s own data and adjusted level 2 inputs.

For financial instruments to be measured at fair value, the determination was based on the market information available as at the reporting date using the following methods and assumptions:

– Financial instruments at fair value through profit and 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 equity (FVOCI)”, or financial investments in equity instruments for which the FVOCI option was not applied on initial recognition. As no companies in the CGM Group have exercised this FVOCI option to date, equity investments with an interest of less than 20 % are reported as “Other investments” and measured accordingly. For the measurement of other investments, the cost as at the reporting date represents 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 solely payments of principal and interest. Interest income from these financial assets is reported in financial income based on the effective interest method. Gains or losses on write-off 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 book value 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 the CGM Group results from the discounted value of the future cash flows. The appropriate interest rates as at the reporting date are used for discounting purposes. The fair value of the loans granted by the CGM Group as at the reporting date is approximately equal to the book value.

– All financial liabilities are measured at cost using the effective interest method and assigned to the amortized cost category. The book value of "Trade payables" and "Other financial liabilities" is virtually the same as the fair value. "Liabilities to banks" within financial liabilities is divided into fixed interest-rate liabilities and variable interest-rate liabilities.

– For fixed-rate liabilities, fair value is measured as the present value of expected future cash flows while the appropriate interest rates as at the reporting date (including a CGM-specific margin) 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 "Lease 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. Financial assets from "Finance lease receivables" and financial liabilities from "Lease liabilities" are measured at cost in accordance with IAS 17. A market interest rate and an average terms for leases contracts are assumed to calculate fair value.

The following table shows the book values and valuations for the Group's existing financial instruments in accordance with the measurement categories in accordance with IFRS 9 as at December 31, 2019:

			IFRS 9 valuation			IFRS 16 valuation	
	Measurement category according to IFRS 9	Book value according to balance sheet as at Dec 31, 2019	(Amortized) costs	Fair value through equity	Fair value through profit or loss	Amortized costs	Fair value as at Dec 31, 2019
Financial assets							
Cash and cash equivalents	AC	46,350	46,350	0	0	0	46,350
Trade receivables	AC	102,982	102,982	0	0	0	102,982
Other financial assets	AC	12,141	12,141	0	0	0	12,141
Finance lease receivables	-	22,792	0	0	0	22,792	24,182
Other investments	FVtPL	1,458	0	1,458	0	0	1,458
Total financial assets		**185,721**	**161,473**	**1,458**	**0**	**22,792**	**187,113**
Financial liabilities							
Liabilities to banks	AC	449,648	449,648	0	0	0	450,926
Purchase price liabilities	AC	17,910	17,910	0	0	0	17,910
Trade payables	AC	47,093	47,093	0	0	0	47,093
Other financial liabilities	AC	25,295	25,295	0	0	0	25,295
Lease Liabilities	-	43,125	0	0	0	43,125	39,627
Total financial liabilities		**583,071**	**539,946**	**0**	**0**	**43,125**	**580,851**
Total per category							
Financial instruments at fair value through profit or loss	FVtPL	1,458	0	1,458	0	0	1,458
Amortized costs	AC	701,419	701,419	0	0	0	702,697

The financial instruments by valuation category for the prior-year period as at December 31, 2018 are as follows:

Financial instruments - measurement categories according to IFRS 9	Measurement category according to IFRS 9		IFRS 9 valuation			IAS 17 valuation	
			(Amortized) costs	Fair value through profit or loss	Fair value through OCI	Amortized costs	
Financial assets							
Cash and cash equivalents	AC	25,302	25,302	0	0	0	25,302
Trade receivables	AC	105,597	105,597	0	0	0	105,597
Other financial assets*	AC	4,230	4,230	0	0	0	4,230
Finance lease receivables	-	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
Lease liabilities	-	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

* Reported under "Other receivables" in the previous year

78. 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 previous year, as at December 31, 2019, there were no financial assets or liabilities of the CGM Group to be regularly measured at fair value at the reporting date. For the measurement of other investments, the cost as at the reporting date represents an appropriate estimate of the fair value. Other investments are measured at fair value in the context of the adoption of IFRS 9. The value is EUR 1,458 thousand as at December 31, 2019.

b) Fair value of financial assets and liabilities 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 December 31, 2017 are as follows:

	Dec 31, 2018	Level 1	Level 2	Level 3
Fair value of financial assets valuated at amortized 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 amortized 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
Lease liabilities	21,498	0	21,498	0
Total	390,929	0	67,314	323,615

79. Net profits and losses on financial assets and liabilities

	Dec 31, 2019 EUR ´000	Dec 31, 2018 EUR ´000
Net profit/loss from foreign currency translation (AC)	143	–3,075
Net profit/loss from discount/reversal of purchase price liabilities (AC)	–524	–631
Total	–381	–3,706

The net gain/loss from the foreign currency translation is recognized according to the origin in other income and other expenses or financial income and financial expenses.

Furthermore, allowances for doubtful receivables are stated under other operating expenses in the amount of EUR -4,037 thousand (previous year: EUR -2,562 thousand), which are allocated to the category of instruments at amortized cost (AC).

80. Credit risk

The rules for recognizing impairment included in IFRS 9 will be based on expected losses (“expected loss model”) in the future. A three-step model is provided for determining the extent of risk provisioning. A provision for expected credit losses is recognized for financial assets at amortized cost. For “Trade receivables”, “Contract assets” and “Finance lease receivables”, the simplified approach is based on lifetime expected credit losses. “Trade receivables”, “Finance lease receivables” and “Contract assets” were calculated on the basis of common risk characteristics, taking into account the corresponding industry and country risks, to measure expected credit losses. 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 reported in the balance sheet are net of impairment on expected future losses (expected loss model). 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.

The CGM Group’s procedure for calculating allowances for doubtful receivables is as follows:
For receivables not yet due and those overdue by between 0 and 12 months, a write-down of 0.8 percentage points is recognized as the loss allowance for expected credit losses. An individual write-down (management judgment) is recognized for all receivables overdue

between 13-24 months. All receivables past due by 24 months are written down in full. For receivables that are overdue by 14 days, the internal company dunning process is triggered. Financial assets are derecognized 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.

Allowances for "Trade receivables", "Contract assets" and "Finance lease receivables" were calculated on this basis. The CGM Group therefore recognizes a loss allowance for expected credit losses of 0.8 percentage points on all financial assets from day one.

The table shows the gross book values to represent the maximum credit risk:

Dec 31, 2019	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	102,023	4,428	8,106
Contract assets	9,165	0	0
Finance lease receivables	22,792	0	0
Total	133,980	4,428	8,106
Individually impaired	–426	–2,226	–8,106
Loss allowances for expected credit losses	–1,072	0	0
Total	–1,498	–2,226	–8,106

Dec 31, 2018	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	127,952	11,098	7,811
Individually impaired	–679	–3,957	–7,811
Loss allowances for expected credit losses	–1,024	0	0
Total	–1,703	–3,957	–7,811

Development of allowances for "Trade receivables", "Contract assets" and "Finance lease receivables" from December 31, 2018 to December 31, 2019.

	Trade receivables EUR `000	Contract assets EUR `000	Finance lease receivables EUR `000
Opening balance of write-down as at January 1, 2019	–13,249	–78	–144
Loss allowances for expected credit losses	–17	5	–38
Arising during the year	–11,219	0	0
Utilized	2,131	0	0
Unused amounts reversed	10,779	0	0
Write-down as at December 31, 2019	–11,575	–73	–182

	Trade receivables EUR `000	Contract assets EUR `000	Finance lease receivables EUR `000
Write-down as at December 31, 2018	–13,745	0	0
Adjustment of retained earnings	–779	–85	–131
Opening balance of write-down as at January 1, 2018 – calculated as per IFRS 9	–14,524	–85	–131
Expected Credit Loss	–7	7	–13
Arising during the year	–13,242	0	0
Utilized	4,163	0	0
Unused amounts reversed	10,361	0	0
Write-down as at December 31, 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. 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 as at the reporting date is the book value of all equity investments below 20 %, which have been classified accordingly.

The default risk is limited to liquid assets, as these are short-term and held at banks certified by international rating agencies as having high credit quality.

Furthermore, as at December 31, 2019 there were no legal transactions with banks in the United Kingdom. There are thus no effects on the default risk.

The following table shows a summary of cash and cash equivalents after classification by the international rating agencies Standard and Poor's and Moody's and Fitch as at December 31, 2019:

	Dec 31, 2019 EUR ´000
AA-	415
A+	20,383
A	890
A-	3,448
BBB+	932
BBB	11,236
BBB-	640
BB	6,727
BB-	6
B	155
Not rated	1,518
Total	46,350

	Dec 31, 2018 EUR ´000
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
Not rated	927
Total	25,302

81. Currency risk

The market success and gross sales revenues of exporting companies is influenced by fluctuating exchange rates. In 2019, around 82 % of sales revenue was generated in euro (previous year: 82 %) and around 18% in foreign currencies (previous year: 18 %).

The book value of Group monetary assets and liabilities denominated in a foreign currency is as follows:

	Assets		Liabilities	
Book value of monetary assets and liabilities in foreign currency	Dec 31, 2019 EUR ´000	Dec 31, 2018 EUR ´000	Dec 31, 2019 EUR ´000	Dec 31, 2018 EUR ´000
US dollar	13,842	11,528	2,936	3,589
Norwegian krone	659	762	190	194
Swedish krona	3,273	4,364	1,618	1,171
Polish zloty	4,779	3,359	1,068	1,239
Turkish lira	724	593	63	18
Czech koruna	2,500	1,781	413	453
Swiss franc	1,881	2,180	192	–3
Danish krone	1,672	954	418	305
Malaysian ringgit	0	1,246	0	34
Canadian dollar	0	136	0	4
South African rand	7,795	6,113	236	68
Singapore dollar	9	48	0	0
Romanian leu	838	411	843	711

a) Sensitivity analysis: impact on net income of a 10 % rise or fall in the EURO against the respective foreign currency:

The following table shows the Group's sensitivity to a 10 % rise or fall in the EURO against the respective foreign currency. The assumption of the 10 % 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 translation based on a 10 % change in exchange rates.

	Currency effect on net income					
	Dec 31, 2019			Dec 31, 2018		
Sensitivity analysis	+/-0 %	+10 %	-10 %	+/-0 %	+10 %	-10 %
US dollar	6,176	6,794	5,559	6,649	7,314	5,984
Norwegian krone	–7,661	–8,427	–6,895	–9,754	–10,729	–8,778
Swedish krona	–6,727	–7,400	–6,054	–5,169	–5,686	–4,652
Polish zloty	–1,444	–1,589	–1,300	–1,640	–1,804	–1,476
Turkish lira	1,265	1,391	1,138	2,600	2,860	2,340
Czech koruna	–2,312	–2,543	–2,080	–2,378	–2,615	–2,140
Swiss franc	268	295	241	185	203	166
Danish krone	–3,555	–3,911	–3,200	–3,302	–3,633	–2,972
Malaysian ringgit	–5	–5	–4	232	255	208
Canadian dollar	0	0	0	–2	–2	–2
South African rand	–2,005	–2,206	–1,805	420	462	378
Singapore dollar	0	0	0	–168	–185	–151
Romanian leu	233	256	210	466	513	419

b) Sensitivity analysis: impact on equity of a 10 % rise or fall in the EURO against the respective foreign currency:

	Exchange rate effect on equity					
	Dec 31, 2019			Dec 31, 2018		
Sensitivity analysis	+/-0 %	+10 %	-10 %	+/-0 %	+10 %	-10 %
US dollar	10,985	12,083	9,886	5,289	5,818	4,760
Norwegian krone	–36,041	–39,645	–32,437	–36,980	–40,678	–33,282
Swedish krona	–17,947	–19,742	–16,152	–16,149	–17,764	–14,534
Polish zloty	–6,334	–6,968	–5,701	–4,799	–5,279	–4,320
Turkish lira	8,161	8,978	7,345	7,677	8,445	6,909
Czech koruna	–2,806	–3,087	–2,525	–3,089	–3,398	–2,780
Swiss franc	1,905	2,095	1,714	1,857	2,042	1,671
Danish krone	–5,810	–6,391	–5,229	–5,606	–6,167	–5,046
Malaysian ringgit	0	0	0	–716	–788	–644
Canadian dollar	0	0	0	–121	–134	–109
South African rand	6,091	6,700	5,482	7,802	8,582	7,021
Singapore dollar	–9	–10	–8	–9	–9	–8
Romanian leu	791	870	712	574	632	517

In light of the highly scalable nature of sales revenues and general business activity of the CGM Group, management considers the sensitivity analysis to be an effective method for discerning currency risks.

82. Interest rate risk

The CGM Group's interest rate risk arises from long-term loans with variable interest calculation. Liabilities to banks amount to EUR 449,648 thousand as at December 31, 2019. 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.

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 if the market interest rate decreasing by 20 basis points results in negative interest, an interest rate of 0 % is assumed as no finance instruments exist for which negative interest would need to be paid. EURIBOR was at 0 %the whole year on account of contractual agreements. 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 the CGM Group are shown below:

EUR '000	Book value as at Dec 31, 2019	Interest payments 2020	Interest payments 2021	Interest payments 2022	Interest payments from 2023
Liabilities to banks	449,648	3,658	3,452	3,344	4,781
Lease liabilities	43,125	779	545	352	412
Other loans	18,030	214	154	94	33
Other financial liabilities	3,439	0	0	0	0
Trade payables	47,093	0	0	0	0
Purchase price liabilities	17,910	0	0	0	0

EUR '000	Book value as at Dec 31, 2018	Interest payments 2019	Interest payments 2020	Interest payments 2021	Interest payments from 2022
Liabilities to banks	308,424	2,967	2,835	2,657	3,886
Lease liabilities	21,603	281	258	187	178
Other financial liabilities	7,124	0	0	0	0
Trade payables	39,293	0	0	0	0
Purchase price liabilities	13,275	0	0	0	0

Given 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 the CGM Group's effective interest payments.

83. 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. The Group has short-term credit lines not yet exhausted of EUR 50,788 thousand as at December 31, 2019.

Liquidity risk differs between the countries in which the 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. Cash pooling is controlled 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.

The 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.

The 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 financing relates to the syndicated loan. Through continuous monitoring and reporting critical concentration of risk with regard to refinancing is identified in a timely manner. On June 22, 2018, CGM entered into a new syndicated loan agreement with a syndicate of banks for a revolving credit facility in the amount of EUR 400,000 thousand. As a result, the existing syndicated loan agreement was terminated and repaid. The syndicated loan has a total term of five years with two renewal options of one year each. The first option was exercised in June 2019. The interest rate is based on EURIBOR for the chosen interest period plus a margin that can change in contractually regulated stages based on the leverage ratio. The interest rate is 0.8 % as at December 31, 2019. In addition, loan commitment fees of EUR 1,634 thousand have been incurred that will be recognized in profit or loss using the effective interest method over the term of the loan agreement. Interest rates have not been hedged for the syndicated loan. The loan has been granted subject to compliance with contractually agreed financial covenant (leverage ratio). In the current financial year 2019, CompuGroup Medical fully complied with all financial covenants in the existing credit agreements.

The revolving credit facility of EUR 400,000 thousand was refinanced in February 2020. For further information, please refer to note 89. Events after the reporting date.

Various German Group companies have issued joint and several payment guarantees for this loan agreement (default liability for non-payment by CompuGroup Medical SE).

The following tables show the remaining contractual maturities of the financial liabilities of the CGM Group. The tables are based on the undiscounted cash flows of financial liabilities and show payments of both principal and interest. 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 at December 31, 2019:

EUR '000	Book value as at Dec 31, 2019	Payments 2020	Payments 2021	Payments 2022	Payments from 2023
Liabilities to banks	449,648	42,468	8,484	6,354	407,577
Lease liabilities	43,125	15,415	10,823	7,572	11,402
Other loans	18,030	4,627	4,627	4,627	4,645
Other financial liabilities	3,439	3,439	0	0	0
Trade payables	47,093	47,093	0	0	0
Purchase price liabilities	17,910	8,966	4,178	1,640	3,126

Expected future payments as at December 31, 2018:

EUR '000	Book value as at Dec 31, 2018	Payments 2019	Payments 2020	Payments 2021	Payments from 2022
Liabilities to banks	308,424	8,789	21,157	6,219	284,604
Lease liabilities	21,603	4,810	4,813	4,809	8,075
Other financial liabilities	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

84. Leased assets, subleases

Leased assets (operating leases):

EUR '000	Dec 31, 2019	Dec 31, 2018
Minimum leasing income		
< 1 year	41	75
1-5 years	115	351
> 5 years	0	0
Total	156	426

Almost all leases are due within one year or within five years at the latest.

Income from sub-leases amounted to EUR 182 thousand, essentially from leases for office, warehouse and training premises and leases for hardware. 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.

85. Contingent liabilities

The following table provides information on the existing contingent liabilities of the CGM Group:

	Maximum liability		Provision recognized	
EUR '000	Dec 31, 2019	Dec 31, 2018	Dec 31, 2019	Dec 31, 2018
Guarantees for warranties and contract execution	4,289	4,906	0	0
Guarantees	891	1,322	0	79
Other liability statements	444	107	100	0
Total	5,624	6,335	100	79

There are no major purchase commitments from operating activities. The guarantees for warranties and contract execution mainly comprise the performance guarantees of EUR 1,000 thousand for CGM Clinical Österreich GmbH as part of the NÖKIS project, EUR 284 thousand for CGM Poland, the Group's credit guarantees for its Norwegian and American subsidiaries with the amount of EUR 2,844 thousand and pledges for domestic and foreign subsidiaries of EUR 610 thousand. Disclosures resulting from IAS 37.86 have been omitted due to reasons of practicality.

86. 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 third parties to stay in accordance with the arm's length principle.

In addition, the following amounts were outstanding at the end of the reporting period:

	Goods and services provided and other income		Goods and services received and other expenses		Receivables		Liabilities	
EUR ´000	Dec 31, 2019	Dec 31, 2018	Dec 31, 2019	Dec 31, 2018	Dec 31, 2019	Dec 31, 2018	Dec 31, 2019	Dec 31, 2018
Related persons	**115**	**122**	**441**	**1,704**	**1**	**0**	**60**	**236**
of which								
Frank Gotthardt	59	89			1			
Dr. Brigitte Gotthardt	38	33				0		
Prof. Dr. Daniel Gotthardt	18		109	533			60	60
Dr. Klaus Esser			90	98				
Maik Pagenkopf			62	62				60
Klaus Schrod			60	61				
Thomas Seifert			60	79				56
Dr. Ulrike Handel			60	871				60
Related companies	**1,757**	**2,185**	**2,624**	**1,748**	**222**	**85**	**64**	**87**
of which								
DRF Deutschland Fernsehen Verwaltungsgesellschaft mbH	0	11			0	11		
DRF Deutschland Fernsehen Produktions GmbH & Co. KG	65	60	14	29	49	39	2	
GHG Services GmbH	14	119	8			0		
Gotthardt Bürotechnik GmbH	1	3	128	142	0	0		2
Gotthardt Healthgroup Holding GmbH	7			19	1			
Gotthardt Healthgroup AG	45	31	20				0	
Gotthardt Healthgroup RO SRL	29	342						
GTS Praxisshop GmbH		0		0				
Hotel am Moselstausee Immobilien GmbH & Co. KG	–4	6						
Hotel am Moselstausee Verwaltungs GmbH		4						
INFOSOFT Informations- und Dokumentationssysteme GmbH	2	2	279	290	0	0	40	31
KEC Kölner Eishockeygesellschaft "Die Haie" GmbH			6	2			0	1
KEC Vertriebs GmbH & Co. KG			286	284				5
mps public solution GmbH	1,586	1,607	553	979	167	35	0	45
Fährhaus Koblenz GmbH & Co. KG	12		108	3	5		1	3
MW Office / Marketing und Werbung GmbH			1,100				20	
Cloudfare, Inc.			124					
Associates	5,977	7,967	27	9,622	110	2,783	3	315
of which								
AxiService Nice S.a.r.l.	19	17	11	5	29	44	3	13

Fablab S.r.l.		730		244		1,578		78
Gotthardt Informationssysteme GmbH		3,270		9,352		537		221
MGS Meine Gesundheit Services GmbH	5,934	3,930			67	612		
Smoove Software S.r.l.	3							
Technosante Nord-Picardie SAS	21	20	17	21	14	12		3
Total	7,849	10,274	3,092	13,074	333	2,868	126	638

Related persons:
As at December 31, 2019, Frank Gotthardt directly and indirectly holds 33.65 % 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 financial year 2007 had a duration until December 31, 2015, but were prolonged until December 31, 2025 and December 31, 2027.

Considering these voting rights, Frank Gotthardt's share of voting right shares in CompuGroup Medical SE amounts to more than 45 % since 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. Daniel Gotthardt are related to the CompuGroup Medical SE.

Private flights were invoiced for Frank and Dr. Brigitte Gotthardt. Furthermore, software maintenance is charged to Dr. Brigitte Gotthardt.

Remuneration was paid to Prof. Daniel Gotthardt, Dr. Klaus Esser, Dr. Ulrike Handel, Thomas Seifert, Klaus Schrod and Maik Pagenkopf for their work on the Supervisory Board. In addition, there are costs of goods and services from Prof. Daniel Gotthardt for the rent of a parking lot for CGM Group employees. Some of employee parking spaces were sold to CGM SE on October 11, 2018, thereby reducing the goods and services received from Prof. Daniel Gotthardt.

Related companies:
In particular, the goods and services provided for DRF Deutschland Fernsehen GmbH consisted of services such as the provision of a fleet in the reporting time frame.

The goods and services provided for CGM Deutschland AG for GHG Services GmbH have reduced since the previous year on account of decreasing demand. This is due to the termination of GHG's external services for CGM practices by CGM Deutschland AG in 2018.

CGM obtained services in the form of leases for copiers from Gotthardt Bürotechnik GmbH.

The goods and services provided to Gotthardt Healthgroup RO SRL were down year-on-year as the result of the termination of a service agreement between CGM Software RO SRL and Gotthardt Healthgroup RO SRL. Since hiring new employees, Gotthardt Healthgroup RO SRL no longer purchases these services from CGM Software RO SRL.

The received goods and services of CGM SE for Infosoft Informations- und Dokumentationssysteme GmbH include the acquisition of further licenses and services in the form of software maintenance.

The goods deliveries and services for KEC Vertriebs GmbH & Co. KG comprise two long-term commitments, for which CGM pays a sponsorship amount of EUR 235,900 and EUR 50,000 for naming rights on the one hand, and on the other provides services (HR, Controlling etc.) for the Company. The transactions are considered to be based on market terms and conditions.

The goods and services received and provided mainly comprises services in the form of software maintenance for other proprietary software licenses between CGM Clinical Deutschland GmbH and mps public solution GmbH.

Both the goods and services provided and received in the business relationship with Fährhaus Koblenz GmbH & Co. KG have both increased since the previous year. This is on account of the new lease between CGM SE and Fährhaus that replaces the old lease with Hotel am Moselstausee. The goods and services provided mainly include payments for the vehicle fleet and rent, while the goods and services received comprise the use of the ferry house for meetings, conventions and conferences.

Associates:
The increase in goods and services provided results from the increased use of services provided by MGS Meine Gesundheit Services

GmbH for CompuGroup Medical Mobile GmbH in the form of new apps and web portals. The goods and services received decreased significantly compared to the previous year on account of Gotthardt Informationssysteme GmbH's reclassification from associate to consolidated company. In addition to Gotthardt Informationssysteme GmbH, Fablab S.r.l. was also reclassified from an associate to a consolidated company in financial year 2019.

87. Declaration of Compliance with the German Corporate Governance Code

The declaration of conformity in accordance with 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).

88. Auditor's fees in accordance with section 314(1) no. 9 HGB

The following table shows the total fees payable, including expenses and all additional costs, to KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, (previous year: PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Frankfurt/Main) for financial year 2019.

The item "Audits of financial statements" includes the fees for auditing the single-entity financial statements, the consolidated statements and the dependency report of CompuGroup Medical SE, Koblenz. Other advisory services related to the external audit to achieve limited assurance regarding the combined separate non-financial report in financial year 2019. Tax advisory services relate to activities in connection with transfer pricing.

EUR '000	Dec 31, 2019	Dec 31, 2018
Audits of financial statements	711	966
Other assurance services	41	50
Tax advisory services	16	32
Other services	0	547
Total	**768**	**1,595**

In addition to the services for audits of financial statements, prior-period expenses of EUR 125 thousand were incurred for PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Frankfurt/Main, in 2019.

89. Events after the reporting date

Acquisition of H&S Qualità nel Software S.p.A., Italy

CompuGroup Medical acquired 100 % of the shares in H&S Qualità nel Software SpA, Piacenza, Italy, in January. H&S specializes in telemedicine, patient telemonitoring and ambient assisted living (AAL) for older people. It also provides turnkey solutions for private and public providers for the performance of health and care services while optimizing processes and costs. Furthermore, the company offers bespoke projects and manages information systems for key Italian home care services as a trusted third party. Owing to the terms of the purchase agreement, financial information was not yet available at the time the accounts were prepared, hence the measurement of the company acquisition of H&S Qualità nel Software SpA was not possible as at the time the consolidated financial statements were prepared. H&S Qualità nel Software SpA will be included in consolidation for the first time as at January 1, 2020. Provisional sales revenue amounted to around EUR 3 million in 2019 with EBITDA of around EUR 0.7 million. Past financial data are not available as the company implemented a carve-out of its non-healthcare activities prior to the acquisition.

Acquisition of part of the IT healthcare portfolio of Cerner Corporation

In February, CompuGroup Medical announced that a purchase agreement had been signed for part of Cerner's IT healthcare portfolio in Germany and Spain. The main products of the portfolio acquired are medico and Soarian Integrated Care, leading hospital information systems in Germany, Selene, a leading hospital information system in Spain, and Soarian Health Archive, an archive solution for healthcare facilities. The purchase price is EUR 225 million and is subject to an adjustment mechanism as at the closing date. The acquired business area's sales revenue amounted to approximately EUR 74 million in 2019 with EBITDA of approximately EUR 13 million. The transaction is expected to be closed in the third quarter of 2020 and is subject to merger approval and further closing conditions.

Change of legal form of CGM SE

Also in February, the Management Board and Supervisory Board of CGM resolved to propose a change in legal form to that of a Kommanditgesellschaft auf Aktien (KGaA – partnership limited by shares) at the Annual General Meeting on May 13, 2020. It is intended that the general partner of the partnership will be a monistic European stock corporation (SE) to be wholly owned, directly or indirectly, the Company's founder Frank Gotthardt plus other members of the Gotthardt family and Dr. Reinhard Koop (collectively the majority shareholders of CGM). It is intended that the change in legal form should allow the Company the greatest possible flexibility regarding the financing of its future growth and, at the same time, to retain an anchor shareholder (the founding Gotthardt family) to uphold the business vision and founding spirit.

Change in the composition of the Management Board
On February 12, 2020, the Supervisory Board of CompuGroup Medical SE resolved to appoint Dr. Dirk Wössner as Frank Gotthardt's successor as a member of the Management Board and CEO of the Company. Subject to fulfillment of the statutory requirements, it is intended that Frank Gotthardt will move to the Company's Supervisory Board where he will become its Chairman. Dr. Dirk Wössner is currently a member of the Management Board of Deutsche Telekom AG and the Chairman of Telekom Deutschland GmbH, where he has been in charge of business in Germany since January 1, 2018. He was appointed as a member of the Management Board and CEO of the Company effective from the end of his current contract, which – subject to early termination – runs until December 31, 2020. If the Annual General Meeting of the Company in May 2020 approves the resolutions proposed by the Management Board and Supervisory Board to transform the Company into an SE & Co. KGaA, following its transformation, the management of the Company will be in the hands of the Board of Directors and the Managing Directors of the general partner SE of the Company. In such event, Dr. Dirk Wössner will become the Chairman of Managing Directors and a member of the Board of Directors of the general partner. Frank Gotthardt would then be the Chairman of the Board of Directors.

New syndicated loan
In February 2020, to secure future liquidity, CGM agreed a new credit facility of EUR 1,000 million with a term of at least five years. This consists of a revolving credit facility of EUR 600,000 thousand and a bullet loan of EUR 400,000 thousand. The new facility replacing existing accounts payable and financing for general business purposes and acquisitions. The syndicate of banks includes BNP Paribas, Commerzbank, Deutsche Bank, Landesbank Baden Württemberg, SEB and Unicredit.
The loans have been granted subject to compliance a financial covenant (leverage). Various German Group companies have issued joint and several payment guarantees for this credit agreement (default liability for non-payment by CompuGroup Medical SE).

90. Management Board and Supervisory Board

Members of the Management Board:

Last name	First name	Occupation/membership in supervisory boards and other controlling bodies
Gotthardt	Frank (Chairman)	Chief Executive Officer (CEO) Chairman of the Supervisory Board of Rhein Massiv Verwaltung AG, Koblenz Chairman of the Supervisory Board of CompuGroup Medical Deutschland AG, Koblenz Chairman of the Supervisory of XLHEALTH AG, Heidelberg
Brecher	Frank	Management Board member for Process and Efficiency Management (CPO) Chairman of the Supervisory Board of EBM eHealth Business Media AG, Hamburg
Körfgen	Dr. Ralph	Management Board member for Ambulatory & Pharmacy Information Systems (since November 1, 2018)
Pech	Dr. Eckart	Management Board member for Consumer and Health Management Information Systems (since November 1, 2019)
Rauch	Michael	CFO (since August 1, 2019) Deputy Chairman of the Supervisory Board of edding AG, Ahrensburg
Teig	Christian B.	CFO (until August 1, 2019)
Eibich	Uwe	Management Board member for Telematics & e-health Platforms (until December 31, 2019)
Reichl	Hannes	Management Board member for Clinical & Social Care (since November 1, 2018)

Members of the Supervisory Board:

Last name	First name	Occupation/membership in supervisory boards and other controlling bodies
Esser	Dr. Klaus (Chairman)	Managing Director of Klaus Esser Verwaltungs GmbH, Düsseldorf
Gotthardt	Prof. (apl.) Dr. med. Daniel (Deputy Chairman)	CEO of Mediteo GmbH, Heidelberg Member of the Management Board of Gotthardt Healthgroup AG, Heidelberg, and XL HEALTH AG, Heidelberg Deputy Chairman of the Supervisory Board of ProMinent GmbH, Heidelberg
Handel	Dr. Ulrike	CEO of Dentsu Aegis Network Germany, Wiesbaden
Seifert	Thomas	CFO of Cloudfare, Inc. San Francisco, USA Supervisory Board member of IPG Photonics Corp., Delaware, USA
Pagenkopf	Maik (Employee representative)	Qualified IT specialist for application development at CGM Clinical Deutschland GmbH, Koblenz
Schrod	Klaus (Employee representative)	Senior Business Development Manager at CGM subsidiary AESCU DATA Gesellschaft für Datenverarbeitung mbH, Winsen

91. Remuneration of the Management Board

Total remuneration of members of the Management Board comprises non-performance-based and performance-based components. The criteria for the appropriateness of remuneration are mainly 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 remuneration. The components of non-performance-based remuneration are a fixed salary and fringe benefits, while the performance-based remuneration components consist of variable bonus payments.

The fixed salary, a base remuneration 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 remuneration in kind, which essentially consists of the use of a company car. The use of a company car is taxable due to its attribution as a component of remuneration for each member of the Management Board.

Variable remuneration, which is linked to the achievement of targets that were previously agreed, is agreed individually with each Management Board member, including targets measured over a multi-year period. Long-term targets based on organic growth and consolidated EBITDA are used for the members of the Management Board Mr. Frank Gotthardt, Mr. Uwe Eibich, Mr. Christian B. Teig and Mr. Frank Brecher. The (quantitative and qualitative) targets on which the calculation of bonus payments is based and their weighting are focused on sustainable corporate governance in accordance with section 87 AktG.

Loans were not granted to members of the Management Board in 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.

For further information on the members of the Management Board, please refer to the remuneration report in the management report. The total remuneration of the Management Board and Supervisory Board is as follows:

2019 Management Board remuneration in accordance with IAS 24.17

	Short-term benefits EUR	Other long-term benefits EUR	Remuneration EUR
Gotthardt, Frank	800,000	3,221,138	4,021,138
Eibich, Uwe	436,443	148,083	584,526
Teig, Christian B.	17,712,091	350,000	18,062,091
Brecher, Frank	589,151	0	589,151
Körfgen, Ralph Dr.	761,192	0	761,192
Reichl, Hannes	736,875	0	736,875
Rauch, Michael	392,174	0	392,174
Pech, Eckhart Dr.	134,754	0	134,754
Total	21,562,680	3,719,221	25,281,901

2018 Management Board remuneration in accordance with IAS 24.17

EUR '000	Short-term benefits EUR	Other long-term benefits EUR	Remuneration 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 Dr.	119,716	0	119,716
Reichl, Hannes	118,762	0	118,762
Total	2,669,098	3,771,892	6,440,990

Remuneration disclosures in accordance with section 314(1) no. 6 HGB Management Board remuneration in 2019

	Fixed remuneration (non-performance-based) EUR	Variable bonus (performance-based) EUR	Fringe benefits EUR	Remuneration EUR
Gotthardt, Frank	800,000	1,881,737	0	2,681,737
Eibich, Uwe	400,000	374,602	36,841	811,443
Teig, Christian B.	17,468,750	550,263	43,341	18,062,354
Brecher, Frank	375,000	255,394	33,539	663,933
Körfgen, Ralph Dr.	400,000	347,455	13,737	761,192
Reichl, Hannes	400,000	328,360	12,567	740,927
Rauch, Michael	177,083	208,333	33,052	418,468
Pech, Eckhart Dr.	66,667	66,667	6,838	140,172
Total	20,087,500	4,012,811	179,915	24,280,226

Christian B. Teig’s fixed salary includes the cash settlement of stock options of EUR 17,000 thousand.

2018 Management Board remuneration

EUR '000	Fixed remuneration (non-performance-based) EUR	Variable bonus (performance-based) EUR	Fringe benefits EUR	Remuneration 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 Dr.	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

92. Stock option plans

By way of resolution of the Supervisory Board of CompuGroup Medical SE at its meeting on October 2, 2018, the new departments, Ambulatory & Pharmacy Information Systems and Clinical & Social Care, were assigned to Dr. Ralph Körfgen and Hannes Reichl effective November 1, 2018. In the context of their activities, Dr. Körfgen and Mr. Reichl received variable remuneration (long-term incentive) of 250,000 option rights each (hereinafter: option rights).

The service contracts for the members of the Management Board for Ambulatory & Pharmacy Information Systems and Clinical & Social Care also included an event-related regulation (in sections 5.1 and 5.5 of service contracts), according to which the Supervisory Board was entitled to adjust the exercise price under certain conditions if the price of the Company's shares were to exceed the exercise price by more than 5 % after event-related public announcement. Both members of the Management Board were authorized to exercise options in individual tranches, with each tranche comprising at least 10,000 options.

Subject to a corresponding authorization by the Annual General Meeting, in the event of the exercise of option rights at their discretion, the Company was entitled to arrange a transfer of shares against payment of the exercise price instead of paying the cash settlement to both members of the Management Board. The Supervisory Board is contractually only permitted to exercise this option by way of written notification of the Management Board members for Ambulatory & Pharmacy Information and Systems and Clinical & Social Care and only until June 30, 2019.

The Annual General Meeting of CGM on May 15, 2019 authorized the Supervisory Board to grant physical options to members of the Management Board of CompuGroup Medical SE and to executives of CompuGroup Medical SE, and to members of the management of its subsidiary associated companies and senior executives, all of whom must belong to the group of senior vice presidents or the group of general.

As a result of the addenda to the service contracts of the members of the Management Board for Ambulatory & Pharmacy Information and Systems and Clinical & Social Care, sections 5.5 of the service contracts and the sections on the event-related adjustment of the exercise price in sections 5.1 were deleted, as these regulations were no longer considered appropriate according to the resolution of the Annual General Meeting.

The revised versions of sections 5.1 of the service contracts of the members of the Management Board for Ambulatory & Pharmacy Information and Systems and Clinical & Social Care stipulate the following: On a one-time basis as long-term variable remuneration, the members of the Management Board receive 250,000 options in accordance with the terms of the authorization to issue options resolved by the Annual General Meeting on May 15, 2019 under item 6 of the agenda. If the exercise price for the options is set above the XETRA average rate for the time period beginning 45 calendar days before November 1, 2018 and ending 45 calendar days after November 1, 2018, the member of the Management Board will receive a long-term bonus in the amount of the difference between the exercise price of the options and the average XETRA price referred to above, multiplied by a factor of 250,000, if the performance targets set for the options are achieved, to be due and payable when the options are exercised. This is subject to the condition precedent that the Supervisory Board exercises its option and allocates 250,000 physical options in total to each member of the Management Board by midnight on June 30, 2019. The Supervisory Board exercised this option in compliance with the requirements of form and time. Thus, the 250,000 virtual options allocated to the members of the Management Board for Ambulatory & Pharmacy Information Systems and Clinical & Social Care in their service contracts were replaced by physical options under the 2019 stock option program and there were allocated the corresponding number of stock options.

The fair value of the stock options was last recalculated as at the date the physical options were issued to Dr. Körfgen and Mr. Reichl on June 29, 2019, and was taken as a constant basis for the time period until the end of the vesting period or the date the options are exercised. The vesting date for both members of the Management Board is June 30, 2023.

At its meeting on March 29, 2019, the Supervisory Board appointed Mr. Michael Rauch as the Chief Financial Officer (CFO) effective August 1, 2019 for a term of three years to end as at July 31, 2022. In addition to fixed annual remuneration and performance-based remuneration, Mr. Rauch receives share-based remuneration in the form of 250,000 stock options under conditions similar to those for the members of the Management Board for Ambulatory & Pharmacy Information and Systems and Clinical & Social Care as described above. The vesting date for the CFO is August 31, 2023. The Supervisory Board also exercised its option for Mr. Rauch as well, and ordered the replacement of his virtual options with physical stock options by way of letter dated August 30, 2019.

At its meeting on June 29, 2019, the Supervisory Board appointed Dr. Eckart Pech as new Management Board Member for Consumer & Health Management Information Systems effective November 1, 2019 for a term of three years to end as at October 31, 2022. In addition to fixed annual remuneration and variable performance-based remuneration, Mr. Pech also receives share-based remuneration in the form of real options for up to 250,000 CompuGroup shares. The further conditions and exercise restrictions described above for the members of the Management Board for Ambulatory & Pharmacy Information and Systems and Clinical & Social Care apply accordingly to the member of the Management Board for Consumer & Health Management Information Systems. The vesting date for the member of the Management Board for Consumer & Health Management Information Systems is November 2, 2023.

It was determined for all the option programs described above that, if and to the extent that the volume-weighted average rate of the Company's shares in XETRA trading over the last three months before the date on which options can be exercised for the first time is exceeded by more than 100 %, the number of options is automatically reduced such that share price gains does not exceed the total amount of the exercise price per option multiplied by a factor of 250,000.

The stock option programs for the respective Management Board members are expensed against capital reserves on a straight-line basis over the remaining term.

Overview of stock option program at December 31, 2019:

Stock option program for management board member Dr. Ralph Körfgen	Dec 31,.2019
Total number of outstanding stock options	250,000
of which vested	0
of which exercisable	0
Exercise price (in EUR)	65.53
Weighted average remaining term of outstanding rights in years	3.50
Weighted average fair value of an option (EUR)	16.85
Share price volatility applied (in %)	29.65%
Risk-free interest rate (in %)	-0.45%

Stock option program for management board member Hannes Reichl	Dec 31,.2019
Total number of outstanding stock options	250,000
of which vested	0
of which exercisable	0
Exercise price (in EUR)	65.53
Weighted average remaining term of outstanding rights in years	3.50
Weighted average fair value of an option (EUR)	16.85
Share price volatility applied (in %)	29.65%
Risk-free interest rate (in %)	-0.45%

Stock option program for management board member Michael Rauch	Dec 31,.2019
Total number of outstanding stock options	250,000
of which vested	0
of which exercisable	0
Exercise price (in EUR)	56.27
Weighted average remaining term of outstanding rights in years	3.67
Weighted average fair value of an option (EUR)	9.60
Share price volatility applied (in %)	29.79%
Risk-free interest rate (in %)	-0.55%

Stock option program for management board member Dr. Eckart Pech	Dec 31,.2019
Total number of outstanding stock options	250,000
of which vested	0
of which exercisable	0
Exercise price (in EUR)	56.93
Weighted average remaining term of outstanding rights in years	3.83
Weighted average fair value of an option (EUR)	12.91
Share price volatility applied (in %)	30.00%
Risk-free interest rate (in %)	-0.55%

Overview of stock option program at December 31, 2018:

Stock option program for management board member AIS/HIS	Dec 31,.2018
Total number of outstanding stock options	500,000
of which vested	0
of which exercisable	0
Exercise 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%

93. Remuneration of the Supervisory Board
Please refer to the remuneration report in the combined management report for information on the remuneration of members of the Supervisory Board.

94. Risk management system
Please refer to the management report for information on the principles of the risk management system.

95. Release from disclosure requirement
All German corporations with profit transfer agreements exercise the exemption under section 264(3) HGB regarding the preparation and publication of a management report and 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
+ CGM Medistar Systemhaus GmbH, Koblenz
+ AESCUDATA Gesellschaft für Datenverarbeitung mbH, Winsen

Changes in intangible assets and property, plant and equipment in financial year 2019

EUR '000	Purchase and manufacturing costs							
	Jan 1, 2019	Restatement of opening balance*	Additions due to changes in scope of consolidation	Other additions	Reclassifica-tions	Disposals	Exchange rate differences	Dec 31, 2019
Intangible assets								
Goodwill	280,451	0	70,691	26	0	–1,173	266	350,260
Acquired software rights	233,108	0	8,230	2,233	4,153	–1,640	323	246,408
Customer relationships	236,596	0	53,991	0	0	–2,005	793	289,375
Trademark rights	32,088	0	2,615	2	0	0	54	34,760
Order backlog	8,629	0	3,918	0	0	0	0	12,547
Capitalized inhouse services	128,361	0	0	25,304	0	0	219	153,884
Prepayments on software	5,651	0	–238	1,491	–5,194	–158	–13	1,540
	924,884	0	139,207	29,056	–1,039	–4,976	1,642	1,088,774
Property, plant and equipment								
Property and buildings	66,022	–1,043	517	1,152	0	–164	24	66,508
Other fixed assets and office equipment	61,412	–355	2,248	9,659	65	–10,086	150	63,093
Assets under construction	850	0	0	3,873	–25	–27	–1	4,670
	128,284	–1,398	2,765	14,684	40	–10,277	173	134,271
Right-of-use assets								
Property and buildings - IFRS 16	0	31,919	4,718	8,017	0	–799	19	43,874
Vehicles - IFRS 16	0	8,519	858	5,748	0	–848	12	14,289
Other - IFRS 16	0	414	54	108	0	–25	0	552
	0	40,852	5,629	13,873	0	–1,672	31	58,715
	1,053,168	39,454	147,601	57,613	–999	–16,925	1,846	1,281,759

* Changes due to first-time adoption of the new standard IFRS 16

** Additions to depreciation and impairment in the current financial year include goodwill impairment on the CGM Turkey, CGM OWL Computer and CGM Farmages CGUs of EUR 1,248 thousand, see note 41.b) Goodwill

Depreciation and amortization						Net book value	
Jan 1, 2019	Restatement of opening balance*	Additions**	Disposals	Exchange rate differences	Dec 31, 2019	Dec 31, 2019	Jan 1, 2019
18,240	0	1,250	–200	65	19,355	330,905	262,211
197,871	0	12,870	–1,635	347	209,453	36,955	35,237
99,091	0	13,937	–1,007	383	112,404	176,971	137,505
25,852	0	1,883	0	71	27,807	6,953	6,236
8,629	0	0	0	0	8,629	3,918	0
38,412	0	4,064	0	72	42,548	111,336	89,949
249	0	0	0	0	249	1,291	5,402
388,345	0	34,004	–2,842	938	420,445	668,329	536,540
15,225	–371	2,432	–162	8	17,132	49,376	50,797
29,350	–198	9,486	–9,753	132	29,018	34,075	32,062
56	0	0	0	0	56	4,614	794
44,631	–569	11,918	–9,915	140	46,206	88,064	83,653
0	371	11,130	–844	22	10,679	33,196	0
0	198	5,276	–810	11	4,675	9,614	0
0	0	197	–25	0	172	379	0
0	569	16,603	–1,679	33	15,526	43,189	0
432,976	0	62,525	–14,436	1,111	482,177	799,582	620,193

Changes in intangible assets and property, plant and equipment in financial year 2018

EUR '000	Purchase and manufacturing costs						
	Jan 1, 2018	Additions due to changes in scope of consolidation	Other additions	Reclassifications	Disposals	Exchange rate differences	Dec 31, 2018
Intangible assets							
Goodwill	277,835	3,764	0	0	–356	–792	280,451
Acquired software rights	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 inhouse 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
Property, plant and equipment							
Property and buildings	62,514	0	1,329	2,516	–279	–58	66,022
Other fixed assets 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

Depreciation and amortization					Net book value	
Jan 1, 2018	Additions	Disposals	Exchange rate differences	Dec 31, 2018	Dec 31, 2018	Jan 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

Information by region for financial year 2019

	CER		CEE		NER		SER	
EUR '000	2019	2018	2019	2018	2019	2018	2019	2018
Revenues with third parties	412,798	411,047	83,202	75,114	83,878	77,634	119,197	109,586
Non-current assets without deferred taxes	262,147	235,751	54,128	55,703	109,857	103,183	189,997	100,267

The CER (Central Europe Region) region comprises the domestic market only (Germany).

USC		Sum regions		All other regions		Consolidation		CGM Group	
2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
40,820	35,942	739,895	709,323	5,913	7,700	0	0	745,808	717,023
58,424	55,069	674,552	549,972	107,428	95,960	0	0	781,980	645,931

Statement by the Management Board

To the best of our knowledge and in accordance with the applicable accounting principles, the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group, and the management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Koblenz, 16 March 2020

CompuGroup Medical Societas Europaea
The Management Board

Frank Gotthardt   Frank Brecher   Dr. Ralph Körfgen   Dr. Eckart Pech

Michael Rauch   Hannes Reichl

Independent Auditor's Report

To CompuGroup Medical SE, Koblenz

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE COMBINED MANAGEMENT REPORT

Audit opinions

We have audited the consolidated financial statements of CompuGroup Medical SE, Koblenz, and its subsidiaries (the Group), which compromise the consolidated statement of financial position as at December 31, 2019, the consolidated income statement, the consolidated statement of total comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flow for the fiscal year from January 1 to December 31, 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the combined group management report of CompuGroup Medical SE for the fiscal year from January 1 to December 31, 2019. In accordance with German legal requirements, we have not audited the content of those components of the combined Group management report specified 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 persuant to Section 315e(1) HGB [Handelsgesetzbuch: German Commercial Code], and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as at December 31, 2019 and of its financial performance for the fiscal year from January 1 to December 31, 2019; and

– the accompanying combined group management report as a whole provides an appropriate view of the Group's position. In all material respects, this combined management report is consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. Our opinion on the combined management report does not cover the content of those components of the combined management report specified in the "Other Information" section of the auditor´s report.

Pursuant to Section 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the combined management report.

Basis for audit opinions

We conducted our audit of the consolidated financial statements and of the combined (Group) management report in accordance with section 317 HGB and the EU Audit Regulation No. 537/2014 (referred to subsequently as "EU Audit Regulation") and in compliance with German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW – German Institute of Public Auditors). Our responsibilities under these requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the combined 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 Article 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 evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the combined 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 fiscal year from January 1 to December 31, 2019. 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 opinion on these matters.

Recoverability of goodwill

For information on goodwill, please refer to note 16 c) "Goodwill" in the notes to the consolidated financial statements.

THE FINANCIAL STATEMENT RISK

Goodwill amounts to EUR 330.9 million as at December 31, 2019 and, at 31.0 percent, represents a significant share of total assets.

Goodwill is tested for impairment annually at the level of the cash-generating units (CGUs) to which the respective goodwill is allocated. This is done by comparing the book value and the recoverable amount of the respective CGU. If the book value is higher than the recoverable amount, an impairment loss is recognized. The Company uses the value in use of the respective CGU as its recoverable amount. The Company calculates the value in use for its principal cash-generating units using discounted cash flow models on the basis of the present values of the expected future cash flows of each CGU. These are derived from the projections prepared by the company's management for the next fiscal year, which are extrapolated on the basis of assumptions regarding long-term growth rates. The respective capitalization rate is derived from the return on an alternative investment with matching risk. The date of the impairment test is December 31, 2019.

The calculation of values in use is complex and the assumptions used are largely dependent on estimates and assessments made by the

Company. This applies in particular to the estimates of future cash flows and long-term growth rates and to the calculation of capitalization rates.

On the basis of the values calculated, total impairment of EUR 1.2 million was required as at December 31, 2019. There is the risk to the consolidated financial statements that the impairment as at the end of the reporting period was not recognized in the appropriate amount. There is also the risk that the related disclosures in the notes are not appropriate.

OUR AUDIT APPROACH

On the basis of the information obtained in our audit, we first assessed which goodwill shows indications of impairment. With the assistance of our measurement specialists, we then assessed the appropriateness of the key assumptions and the Group's measurement model. To do so, we discussed the expected cash flows and the assumed rates of growth with those responsible for planning. Moreover, we compared the planning against the budget approved by the Supervisory Board for fiscal year 2020, and assessed whether the amounts budgeted and the growth rates used are consistent with research and development .

Furthermore, we satisfied ourselves of the quality of the Company's previous forecasting by comparing the planning from previous fiscal years against the results actually achieved and analyzing deviations.

We compared the assumptions and parameters on which the capitalization rate is based, in particular the risk-free interest rate, the market risk premium and the beta factor, to our own assumptions and publicly available data. To take forecast uncertainty into account, we examined the impact of potential changes on the capitalization rate and the perpetual growth rate on the value in use by calculating alternative scenarios and comparing them to the Group's measurement results (sensitivity analysis). To ensure the mathematical accuracy of the measurement model used, we verified the Company's calculations on the basis of elements selected on a risk-oriented basis. Finally, we assessed whether the disclosures in the notes concerning goodwill impairment are appropriate. This also included an assessment of the appropriateness of the disclosures in the notes in accordance with IAS 36.134(f) on sensitivities in the event of a possible change in material assumptions on which measurement was based.

OUR OBSERVATIONS

The procedure used for testing impairment of goodwill is appropriate and consistent with the principles of measurement. The assumptions and parameters used by the Company are appropriate. The related disclosures in the notes are appropriate.

Initial measurement of internally generated software

For information on internally generated software, please refer to note 16 b) "Internally generated software" in the notes to the consolidated financial statements.

THE FINANCIAL STATEMENT RISK

Internally generated software of EUR 111.3 million is reported in the consolidated financial statements.

The capitalization of internally generated software in accordance with IAS 38 is complex and uses a number of assumptions subject to judgment. These include estimating the future inflow of benefits expected by the Group from its development projects and the definition of the expenses included in the manufacturing costs.

There is the risk to the financial statements that development costs not covered by the criteria of IAS 38 may be capitalized. Furthermore, there is the risk that capitalized development costs may be overvalued as a result of an overly broad inclusion of expense components in the manufacturing costs.

OUR AUDIT APPROACH

We first established an understanding of the decision-making process for ongoing capitalization and assessed the structure and implementation of internal controls for the recognition of development costs. Moreover, we assessed the methods used to define the development costs eligible for capitalization.

For individual projects selected on a risk-oriented basis, we have assessed the eligibility for capitalization of material costs incurred in fiscal year 2019 on the basis of the Group's detailed project descriptions. In talks with project managers, we established an understanding of the expected future benefits resulting from the respective development work and replicated the Company's estimates. Furthermore, on the basis of these talks and other information obtained in our audit, we assessed whether the Group has the ability to use or sell the results of development itself.

We assessed the amount and appropriate allocation of capitalized development costs of projects selected on a test basis by using the time sheets of the employees whose development work was capitalized. Moreover, we assessed the definition of the cost types included.

OUR OBSERVATIONS
The procedure and the associated judgments for the capitalization of development costs are consistent with the recognition criteria of IAS 38. The definition of the expense components included in development costs is appropriate overall and consistent with the principles of measurement.

The existence of sales revenues

For information on sales revenues, please refer to note 36 "Revenue recognition and other income" in the notes to the consolidated financial statements.

THE FINANCIAL STATEMENT RISK
The consolidated financial statements of CompuGroup Medical SE for fiscal year 2019 report sales revenues of EUR 745.8 million. Sales revenues are generated from various activities of the Group and, in addition to revenue from the sale of software licenses and software maintenance agreements, also include revenue from rentals, services and hardware sales.

Sales revenues are recognized when the Group has fulfilled its performance obligation by transferring control of goods or services to the customer. On the basis of complex revenue recognition regulations, the Group has analyzed for each revenue category whether sales revenues should be recognized at a point of time or over a period of time.

Given the varied nature of the revenue categories and the complexity of revenue recognition regulations, there is the risk that the sales revenue in fiscal year 2019 has been reported in an incorrect amount.

OUR AUDIT APPROACH
We first assessed whether the Group's interpretation of the timing of revenue recognition for the individual revenue categories was consistent with IFRS 15. We then established an understanding of the processes and assessed the structure and implementation of the controls utilized for the acceptance of orders, the performance of services and the recognition of revenue on an accrual basis.

For the sales revenues to be recognized at a point in time, on the basis of a representative sample, we checked their recognition on an accrual basis by comparing the invoices against the corresponding contracts, external proof of delivery, acceptance reports and time sheets. Furthermore, we assessed the accuracy of the timing and amount of the sales revenues recognized by obtaining third-party confirmations selected on the basis of a mathematical and statistical procedure or, alternatively, by comparing invoices against the associated purchase orders, external proof of delivery or incoming payments. We also viewed credit memos issued after the end of the reporting period on the basis of elements selected on a risk-oriented basis. For the sales revenues to be recognized over a period of time, we have assessed the respective percentage of completion of services and the resulting recognition in the balance sheet and the income statement.

OUR OBSERVATIONS
CompuGroup's procedure for the recognition of sales revenues in fiscal year 2019 is appropriate.

Other information

Management respectively Supervisory Board are responsible for the other information. The other information comprises:
– the separate non-financial report and the corporate governance declaration and
– information extraneous to management reports and marked as unaudited.

The other Information includes also the remaining parts of the annual report.
The other Information does not include the consolidated financial statements, the combined group management report extraneous to management reports and our auditor's report thereon.

Our audit opinions on the consolidated financial statements and the combined management report do not cover the other information, and consequently we do not express an 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 audited parts of the combined management report or our knowledge obtained inthe audit; or
– otherwise appears to be materially misstated.

Responsibilities of Management and the Supervisory Board for the Consolidated Financial Statements and the combined Group Management Report

Management is responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB and that the consolidated 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, management is responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. In preparing the consolidated financial statements, management is 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, management is responsible for the preparation of the combined group management 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 development. In addition, management is responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a combined 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 combined 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 combined group management report.

Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements and of the combined 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 combined 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 appropriately presents the opportunities and risks of future development, as well as to issue an auditor’s report that includes our opinions on the consolidated financial statements and on the combined group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 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 combined 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 statements and of the combined group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our 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 internal control.

– Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the combined group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.

– Evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by management and related disclosures.

– Conclude on the appropriateness of management’s 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 continue 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 financial statements and in the combined group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained 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 statements, 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 performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB.

– Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the combined group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

– Evaluate the consistency of the combined group management report with the consolidated financial statements, its conformity with law, and the view of the Group’s position it provides.

– Perform audit procedures on the prospective information presented by management in the combined group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by management 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 opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable 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 matters 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 auditor'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 May 15, 2019. We were engaged by the Supervisory Board on August 1, 2019. We have been the group auditor of CompuGroup Medical SE since fiscal year 2019.
We declare that the opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

Responsible auditor

The German Public Auditor responsible for the audit is Thomas Rodemer.

Frankfurt/Main, March 16, 2020

KPMG AG
Wirtschaftsprüfungsgesellschaft

[signed] Rodemer	[signed] Palm
Wirtschaftsprüfer (German Public Auditor)	Wirtschaftsprüfer (German Public Auditor)

Financial Calendar 2020

FINANCIAL CALENDAR 2020

Date	Event
March 25, 2020	Annual Report 2019
May 7, 2020	Interim Report Q1 2020
May 13, 2020	Annual Gerneral Meeting 2020
August 6, 2020	Interim Report Q2 2020
September 13, 2020	Investor and Analyst Conference
November 5, 2020	Interim Report Q3 2020

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