CompuGroup Medical SE

Financial Report
1 January – 30 June 2019

Synchronizing Healthcare

CGM CompuGroup Medical

Content

Key Events and Figures

- Revenue with 186.6 MEUR only 2% short of exceptional Q2-2018 level 10 percent growth in recurring revenue, driven especially by new subscription revenue in the AIS segment
  - +10% growth in recurring revenue, thereof +13% in AIS, +7% in HIS and +4% in PCS segment
  - TI in Germany with 54,000 orders and 52,500 delivered practices by end of Q2
  - Strong momentum for new revenue streams based on new eHealth regulation
  - Largest order in corporate history to deploy CGM's new HIS in Lower Austria region
- Operating profit 44.3 MEUR on pro-forma basis*
  - 10 MEUR below exceptional Q2-2018 ("peak of TI installation cycle")
  - 37.4 MEUR Reported EBITDA due to special effect
- Strong Operating Cash Flow 37.8 MEUR
  - +15 MEUR vs. Q2-2018 (at 22.8 MEUR), supported by strong Working Capital Mgt
  - Cash Net Income per Share at EUR 0.53 pro-forma (EUR 0.43 reported)
- 2019 Guidance Reaffirmed

* Excluding non-recurring one-time stock-based compensation expense (see Management Report)

TEUR	01.04.-30.06.2019	01.04.-30.06.2018 (adjusted)	Change	01.01.-30.06.2019	01.01.-30.06.2018 (adjusted)	Change
Revenue	186,592	190,523	–2%	361,806	356,484	2%
EBITDA	37,399	54,876	–32%	82,801	97,771	–15%
Margin	20%	29%		23%	28%	
EPS (EUR)	0.29	0.50		0.70	0.91	
Cash net income (EUR)*	20,869	29,311		48,015	58,245	
Cash net income per share (EUR)	0.43	0.59	–27%	0.98	1.17	–16%
Cash flow from operating activities	37,835	22,826		106,755	73,502	
Cash flow from investing activities	–16,460	–13,491		–51,209	–19,190	
of which equity acquisitions	–1,742	–767		–24,392	–767	
Number of shares outstanding ('000)	48,828	49,724		48,828	49,724	
Net debt	280,248	287,545		280,248	287,545	

* Cash net income: Net income before minority interest plus amortization of intangible assets except amortization on in-house capitalized software.

Management Report

THE CGM GROUP

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

COURSE OF BUSINESS

The following sections describe the main operational developments during the second quarter of 2019.

Ambulatory Information Systems (AIS)

As expected, the doctor and dental software business had a negative organic revenue trend in the second quarter, coming from fewer installations and less revenue from the TI rollout. The second quarter last year was a peak period in terms of TI installations in doctor and dental practices, driven by the deadline in the original eHealth law. The rest of the German AIS business continues to be influenced by the dominance of the TI activities whereas normal organic growth of 4 percent continues in the rest of the AIS business outside Germany.

The significant growth in subscriptions for TI-access services over the last 12 months as well as other positive developments drove 13 percent year-on-year growth in recurring revenue in the AIS segment. This results in a permanently much higher recurring revenue level leading to a softening of recurring revenue growth rates going forward.

Telematics Infrastructure (TI), Germany

In November 2018, the deadline for financial sanctions towards doctors and dentists who have not connected to the TI and do not use master data management services (VSDM) was changed. The new deadline for installation and the start of VSDM is now June 30, 2019. It remains a requirement that the practice owners must have ordered a TI connection by March 31, 2019 and signed a contract by then. Despite sanctions, some doctors and dentists may choose to order and/or do their TI installation after the official deadline.

Sales and installation activities have continued during the second quarter, and as of June 30, 2019, CGM had accumulated approximately 54,000 orders for the CGM connection package, of which approximately 52,500 were delivered. Out of the 54,000 orders, about 39,500 are from existing CGM primary software customers and 14,500 from the rest of the German market. Based on the outcome in the first half of the year and the current market dynamics, CGM now expects a lower number of new doctors and dentists in 2019 compared to the forecast at the beginning of the year. The current expectation is now to reach a total of approximately 56,000 running installations by the end of the year.

According to official statements, over 100,000 doctor and dental practices are now connected to the Telematics Infrastructure, and CGM currently holds a share of over 50% in this market. Current expectations are that ultimately 120,000 – 140,000 practices (including psychotherapists) will connect to this network and that this will happen in a gradual process over the next 18 months. In the new draft law proposed by the Federal Ministry of Health (Digital Healthcare Act - DVG), the financial sanctions towards those providers not connected will be increased in March 2020 from today's 1.0% reduction in reimbursement to 2.5% reduction.

New applications based on the Telematics Infrastructure

The next scheduled software release for the CGM connector will enable the new applications NFDM (Emergency Care Data Set), eMP (Electronic Medication Plan) and KOM-LE (Electronic Letters) – all new applications using the QES (Qualified Electronic Signature). The new connector software, which was delivered in its first version to gematik in December 2018 and originally planned for certification and release in August 2019, is now expected to be finished either at the very end of 2019 or early 2020. The latest specification changes from gematic were published in June 2019 and CGM has now completed the corresponding changes in the software and will start the new security certification process in August. The question on when and how to do field testing is still open. Financing mechanisms have already been agreed between the statutory health funds and the provider organizations to cover the IT costs and additional effort of these new services.

New eHealth regulation in Germany

The Federal Ministry of Health (BMG) has been highly active on the regulatory front over the last period, and has in 2019 already passed and proposed several new laws which all support further digitalization and more use of IT in the German healthcare sector.

The new appointment service and care law (TSVG) was approved by the parliament (Bundestag) in March 2019 and came into force in May. One of the key provisions of the new law is that it obliges health insurance companies to offer their insured persons an electronic patient file (ePA) by 2021 at the latest. If they do not do that, there is a threat of a cut in administrative expenditure. Patients should also be able to access their medical data with a smartphone or tablet and from 2021, doctors must submit work disability certificates for their patients electronically to their health insurance. In order to accelerate the decision-making processes in further development of digitalization and eHealth in Germany, the BMG under the new law also takes over 51 percent of the shares in gematik.

In July, the Government (Bundeskabinett) approved the draft "Digital Healthcare Act" (DVG) presented by Federal Health Minister Jens Spahn. The proposed law contains regulations on how doctors can prescribe apps for their patients in the future. The law also regulates how these apps should be subject to a fast and easy approval procedure. For physicians it contains further regulations and sanctions if not connected to the TI (2.5 percent reduction in reimbursement from March 2020), as well as less money for the dispatch of medical reports by regular mail and fax. It is also clarified that reimbursement will be given for telemedicine consultations and that doctors can advertise these offers online. The bill also provides for an extension of the telematics infrastructure. Pharmacies and hospitals are required to be connected to the telematics infrastructure, pharmacies 1 September 2020 and hospitals three months later on January 1, 2021. Midwives and maternity nurses, physiotherapists and nursing and rehabilitation facilities are given the opportunity to connect to the TI and the costs for the voluntary connection will be reimbursed.

Pharmacy Information Systems (PCS)

The pharmacy software business started the year with 5 percent organic growth in the second quarter 2019. This is better than expected after the exceptional growth in 2018 which was partially driven by special Italian tax incentives that have now been discontinued. So far in 2019, both the German and Italian markets are developing positively with well-established products and services.

A consistent business model and revenue mix over the last 12 months drove 4 percent year-on-year growth in recurring revenue in the PCS segment.

Telematics Infrastructure in German pharmacies

The nationwide rollout of the TI for pharmacies in Germany is expected to start towards the end of 2019 or early 2020. In the new draft law proposed by the Federal Ministry of Health (DVG), German pharmacies will have until September 2020 to connect to the TI. A financing agreement for pharmacies, similar to the one available for doctors and dentists, was agreed and signed in December 2018. Pharmacies require a connector offering NFDM and eMP services. CGM has already started to sell TI connection packages to pharmacies and have so far accumulated 350 orders. With own customers and cooperation agreements already in place with other pharmacy software vendors, CGM would from the primary software side cover approximately 40% of German pharmacies with respect to TI connections.

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

In terms of further business development, the Spanish pharmacy software market is a focus area in 2019 based on the initial position taken through the acquisition of two smaller market players OWL Computer in 2016 and Farmages in 2017. In April 2019, CGM acquired the business operations of Eurosof2000 S.L.U. (Eurosof) as part of a business combination by transferring the net assets (asset deal). Eurosof2000 is a pharmacy software company based in Badajoz, the capital of the Extremadura region in south-eastern Spain. The Farmalog software from Eurosof currently runs in 390 pharmacies and the Farmalog e-prescription module is already approved and used in pharmacies in four Spanish regions.

Hospital Information Systems (HIS)

The HIS-segment continued the year with 12 percent year-on-year organic growth in the second quarter 2019. This is better than expected and is driven by strong overall performance in the DACH-region and a rebound in the hospital market in Poland.

Significant growth in Reha beds in Germany during 2018 (+5% market share gain) drove 7 percent year-on-year growth in recurring revenue in the HIS segment.

Large order in Austria for CGM Clinical
In May 2019, the Niederösterreichische Landeskliniken-Holding (Lower Austrian Regional Hospital Holding – NÖLKH) selected the CGM CLINICAL Hospital Information System from CGM as the basis for a harmonized and centralized information system group-wide in medicine and care. Over the next six years, NÖLK and CGM are planning to roll out the system in a total of 19 hospitals — with more than 7,600 beds at 27 locations — under the project name "NÖKIS". The project partners estimate that the contract volume will exceed 100 million euros over the next ten years. NÖKIS thus becomes the largest hospital IT project to date that entirely relies on the enormous benefits of CGM's new and innovative HIS solution. The NÖKIS project, based on CGM CLINICAL, will set an example for seamless patient care in a large hospital network and it will show how such a large network of hospitals can effectively harmonize its information system throughout the care delivery. The collaboration with NÖLKH confirms CGM's hospital strategy of recent years based on product leadership. CGM has made a considerable investment in the next global generation of our hospital information system CGM Clinical and have managed to create a solution that has the potential to become a game changer. The consistent process orientation, the possibilities for collaboration with fellow treating parties along the patient journey and the inclusion of the patient stand for this. The NÖKIS project already started in May 2019, with one of the hospitals planned to go live in the first quarter of 2021.

Telematics Infrastructure financing available for German hospitals
In September 2018, a financing agreement became available also for hospitals with over 400 MEUR available for hospitals to cover investments in card terminals, connectors and the necessary digital certificates as well as the required changes to hospital software, infrastructure and operating concepts that accompany the TI. Compensation for annual operating costs has also been set at lump sums totaling around 18 MEUR per year. Even if dedicated hospital connectors are so far not available, the CGM connector can be used if it supports NFDM (Emergency Care Data Set), eMP (Electronic Medication Plan) and KOM-LE (Electronic Letters). The support for these applications in the CGM Connector is currently planned for certification and release towards the end of 2019 or early 2020.

Health Connectivity Services (HCS)

The revenue development in the HCS-segment during the second quarter is ahead of expectations for 2019. The positive revenue development comes predominantly from more ad-hoc projects with pharmaceutical companies.

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

NON-RECURRING ONE-TIME STOCK-BASED COMPENSATION EXPENSE

Effective midnight August 1st, 2019 Christian Teig exited office as member of the management board. He had been granted stock options since September 2008 which have significantly appreciated in value following the strong increase in CGM share price. Due to formal restrictions the stock options could not be settled in equity. In acknowledgement of a settlement obligation the supervisory board decided following thorough counselling and legal advice to settle the stock option by virtue of cash payment, however at a reduced value. This resulted in a one-time EBITDA burden of -6.9 MEUR for Q2 and of -11.5 MEUR for the first half year of 2019. For Q3 there will be a one-time positive EBITDA impact of +7.6 MEUR, since the recipient's partial renouncement occurred in Q3 of 2019. For the full year 2019 there will be a net one-time EBITDA burden of -3.9 MEUR, which will be absorbed by CGM without changing the guidance. The effect will be visible in personal expense, EBITDA and net income of this report. Additionally prior year had to be corrected in order to reflect the value of stock options with relevant share price based on cash settlement method.

RESULTS OF GROUP OPERATIONS

Unless stated otherwise, all figures in the management report refer to the second quarter of 2019 and 2018 respectively, i.e. the three months period 01.04. – 30.06. (Q2). Furthermore, we refer to extended explanations for the IAS 8 in the explanatory notes, where the effects on the consolidated statement of financial position and the earnings per share are stated. This refers to the annual financial figures of 31.12.2018 as well as the quarterly closings as at 31.03.2018, 30.06.2018 and 31.03.2019.

Revenue

Revenue in the second quarter of 2019 was 186.6 MEUR compared to 190.5 MEUR in the same period last year. This corresponds to -2 percent contraction and on an organic basis the contraction was -6 percent. Outside the Telematics Infrastructure the organic growth in the quarter was 4 percent. There were no material effects on group revenue from currency fluctuations in the period.

Sales to third parties in Ambulatory Information Systems contracted -7 percent, all of which is an effect from lower number of installations and less revenue from the TI roll-out in Germany. The second quarter last year was a peak period for TI installations in doctor and dental practices. In Pharmacy Information Systems, sales to third parties grew 5 percent, all of which is organic growth. Sales to third parties in Hospital Information Systems grew 14 percent, of which 12 percent is organic growth. In Health Connectivity Services, revenue growth was 10 percent, of which 6 percent is organic growth.

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

MEUR	01.04. – 30.06.2019	01.04. – 30.06.2018	Change	01.01. – 30.06.2019	01.01. – 30.06.2018	Change
Ambulatory Information Systems	120.6	130.1	–7%	231.2	236.2	–2%
Pharmacy Information Systems	27.8	26.5	5%	55.7	52.9	5%
Hospital Information Systems	27.6	24.3	14%	53.7	47.9	12%
Health Connectivity Services	10.6	9.6	10%	21.2	19.4	9%
SUM	186.6	190.5	–2%	361.8	356.4	2%

Revenue from acquisitions:

EUR Mio.	01.04.- 30.06.2019	01.04.- 30.06.2018	01.01.- 30.06.2019	01.01.- 30.06.2018
Ambulatory Information Systems	6.7	0.2	12.3	0.2
Pharmacy Information Systems	0.0	0.0	0.0	0.0
Hospital Information Systems	0.4	0.0	0.7	0.0
Health Connectivity Services	0.4	0.0	0.9	0.0
SUM	7.5	0.2	13.9	0.2

Profit

Consolidated EBITDA amounted to 37.4 MEUR (EUR 44.3 MEUR before extraordinary effects) compared to 54.9 MEUR (adjusted) in the second quarter of 2018. The corresponding operating margin was 20.4 percent (23.8 percent before extraordinary effects) compared to 28.8 percent (adjusted) in 2018. The main developments in operating expenses in the second quarter 2019 were:

- Expenses for goods and services decreased 4.7 MEUR year-on-year with a gross margin of 79 percent, which is higher than the second quarter last year. The lower costs of goods and higher gross margin is related to reduced purchases of card readers, connectors and outsourcing of installation and training services in connection with the lower number of Telematics Infrastructure installations, as well as the acquisition of AIS sales and service partners in Germany where previously outsourced support services have shifted to internal operating expenses.

- Personnel expenses are up 25.8 percent from last year at 88.3 MEUR (second quarter 2018 (adjusted): 70.3 MEUR). The increase in personnel expenses is driven by a change in accounting of stock options of a board member from "equity settled" to "cash settled", employees in new companies acquired, additional hiring for software development as well as smaller changes in the composition of the workforce and general salary inflation. Adjusted for stock options, acquisitions and intensified software development this corresponds to a mid-single digit percentage increase.
- Other expenses are slightly lower compared to last year at 28.5 MEUR. Even if the size of the organization has grown significantly, the new accounting standard IFRS 16 (leases) lowers certain operating expenses compared to last year. Based on this new standard, all leases become a finance lease (right-of-use assets) and have to be recognized on-balance. For CGM, the effect for 2019 is a decrease in operating costs (predominantly office buildings and car leases) by approximately 4 MEUR per quarter and thereby an increase in EBITDA also by approximately the same amount.

Depreciation of tangible fixed assets in the second quarter is 4.2 MEUR higher than last year at 7.0 MEUR (second quarter 2018: 2.8 MEUR). The higher depreciation of fixed assets is mostly related to the adoption of IFRS 16 and neutralizes the effect described under other expenses above so that the change in accounting standard has no material effect on net income.

Financial income decreased from 0.5 MEUR in the second quarter 2018 to 0.2 MEUR this year due to changes in currency exchange rates which lead to non-cash translation gains on Group internal debt in 2018.

The financial expense decreased from 4.1 MEUR in the second quarter 2018 to 1.8 MEUR in the same period this year and is composed of the following items:

EUR Mio.	01.04.-30.06.2019	01.04.-30.06.2018	01.01.-30.06.2019	01.01.-30.06.2018
Interest and expenses on loans and financial services	1.2	2.4	2.5	4.1
Changes in purchase price liabilities	0.2	0.3	0.4	0.5
Translation loss on non-Euro internal dept	0.4	1.7	0.4	2.8
Calculated interest on assets and construction (IAS 23)	–0.1	–0.2	–0.3	–0.5
Other	0.1	0.0	0.2	0.0
SUM	1.8	4.1	3.2	6.8

After tax earnings came in at 14.2 MEUR (EUR 19.0 MEUR before extraordinary effects) in the second quarter of 2019, down from 25.3 MEUR (adjusted) in the second quarter of 2018. The tax rate was 30.1 percent in the second quarter this year compared to 38 percent in the second quarter of 2018. The different tax rates are mostly due to non-cash changes in deferred tax assets and liabilities, losses in tax free areas as well as changes in non-tax relevant currency conversion.

Cash net income decreased from 29.3 MEUR in the second quarter 2018 to 20.9 MEUR (EUR 25.7 MEUR before extraordinary effects) in the second quarter 2019, corresponding to a Cash net income per share of 43 Cent (53 Cent before extraordinary effects (53 Cent before extraordinary effects; Q2/2018: 59 Cent).

Cash flow

Cash flow from operating activities during the second quarter of 2019 was 37.8 MEUR compared to 22.8 MEUR in the same period 2018. The changes compared to 2018 mainly come from the following positions:

- Adjusted for non-cash earnings/expenditures and cash taxes, the gross cash flow from operations before change in working capital decreased from 38.9 MEUR in the second quarter last year to 37.1 MEUR this year.
- Change in working capital gave an increase in operating cash flow of 0.7 MEUR, up from -16.1MEUR in the same period last year. This change is driven by a lower volume of trade receivables this year as well as positive changes to other short-term assets and liabilities.

Cash flow from investment activities during the second quarter of 2019 amounted to -16.5 MEUR compared to -13.5 MEUR in the same period last year. During the second quarter of 2019, CGM's capital expenditure consisted of the following:

MEUR	01.04.-30.06.2019	01.04.-30.06.2018	01.01.-30.06.2019	01.01.-30.06.2018
Company acquisition	1.7	0.8	24.4	0.8
Purchase of minority interest and past acquisition	0.4	0.0	1.1	0.0
Capitalized in-house services and other intangible assets	6.7	7.9	13.0	11.9
Cash outflow for capital expenditure in joint ventures	0.0	0.0	0.0	0.0
Office building and property	0.3	0.1	0.3	0.2
Other property and equipment	7.4	4.8	12.4	6.3
Sale of subsidiaries and business operations	0.0	0.0	0.0	0.0
SUM	16.5	13.5	51.2	19.2

Cash flow from financing was -19.5 MEUR in the second quarter 2019 (previous year: -10.5 MEUR) and relates to a dividend payment of 24.4 MEUR and the net cash outflow from assumption and repayment of loans and leasing obligations.

Statement of financial position

Since the statement of financial position from 31 March 2019, total assets decreased by 26.9 MEUR, from 979.4 MEUR to 952.5 MEUR as at 30 June 2019. The largest changes to assets are:

- Decrease in trade receivables of 20.2 MEUR which is a normal second quarter effect because of large volume of invoicing of annual support and maintenance contracts during the first quarter which gets paid during the second quarter
- Decrease in income tax receivables of 4.4 MEUR which is a short-term fluctuation

For all other assets there are only minor changes during the second quarter of 2019.

Group equity decreased from 267.8 MEUR (adjusted) on 31 March 2019 to 256.3 MEUR on 30 June 2019. The decrease in equity results from consolidating a net profit of 14.2 MEUR for the period from 01 April 2019 to 30 June 2019, the equity reduction effect from the 24.4 MEUR dividend payment as well as a negative -1.3 MEUR net effect from other smaller equity-relevant changes. The equity ratio is at 26.9 percent as at 30 June 2019.

The biggest changes to liabilities is a 24.9 MEUR decrease in current non-financial contract liabilities related to seasonal pre-payments of software maintenance contracts. Liabilities to banks increased with 9.3 MEUR, and trade payables increased with 9.2 MEUR due to normal seasonal fluctuations and short-term provisions increased by 5.7 MEUR related to the revaluation of the cash settled stock option program. For all other liabilities there are only minor changes during the second quarter of 2019.

Research & Development

Under IAS 38, development work on internally generated software must be capitalized if certain criteria are fulfilled. This generated 5.0 MEUR additional operating profit for the Group during the second quarter of 2019 (previous year 6.1 MEUR), less amortization and write-downs of 1.1 MEUR during the same period (previous year 0.5 MEUR). Most of the capitalized software development expenses are accounted for by three projects: G3.HIS (new HIS system development), G3.AIS (new AIS software generation) and the development and certification of Connector software for new applications and services in the Telematics Infrastructure. Upon completion, the software will be amortized based on its useful life.

REPORT ON EXPECTED DEVELOPMENTS

CGM reaffirms the outlook presented in the 2018 Annual Report published 29 March 2019.

Total Group revenue is in 2019 expected to be in the range of 720 MEUR to 750 MEUR, corresponding to an organic growth rate of 1-5 percent. The following revenue details are based on the four reporting segments. Compared to segment revenue forecasted in the original guidance, the composition of the Group revenue outlook has changed as described below:

- AIS revenue is now expected to be in the range of 447 MEUR to 471 MEUR including a growth contribution of approximately 25 MEUR from acquisitions (previous range 464 MEUR to 488 MEUR). This represents a negative organic contraction of 3-9 percent in 2019, coming from less expected revenue from the TI rollout, offset by normal organic growth in the rest of the business. This outlook reflects all currently available information and management's forecasts regarding speed of market penetration, market share developments and price evolution related to the further roll-out of the Telematics Infrastructure in Germany in 2019.
- PCS revenue is now expected to be in the range of 115 MEUR to 117 MEUR (previous range 109 MEUR to 111 MEUR) with only a minor growth contribution from acquisitions. This represents organic growth of 1-3 percent in 2019 which is a strong outcome after the exceptional growth in 2018.
- HIS revenue is now expected to be in the range of 113 MEUR to 115 MEUR including a growth contribution of approximately 1 MEUR from acquisitions (previous range 104 MEUR to 106 MEUR). The corresponding organic growth rate is now forecasted at 11-13 percent.
- Revenue in the HCS segment is now expected to be in the range of 45 MEUR to 47 MEUR in 2019 including a growth contribution of approximately 3 MEUR from acquisitions (previous range 43 MEUR to 45 MEUR). The corresponding organic growth rate is 4-9 percent.

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

Depreciation of fixed assets is on Group level expected to be approximately 26 MEUR in 2019 (including the effects from IFRS 16) and amortization of intangible assets is expected to be approximately 32 MEUR, of which approximately 26 MEUR will come from amortization of purchase price allocations related to past acquisitions. The corresponding Group earnings before interest and tax (EBIT) is in 2018 expected to be in the range of 132 MEUR to 147 MEUR.

In summary, CompuGroup Medical reaffirms the following guidance for 2019:

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

The foregoing outlook is given as at August 2019 and does not include revenue and costs associated with potential and currently undetermined further acquisitions during 2019. The outlook for 2019 represents management's current best estimate of the market conditions that will exist in 2019 and how the business segments of CGM will perform in this environment and includes the meantime impact as explained in the "Explanatory Notes" section.

REPORT ON OPPORTUNITIES AND RISKS

As an internationally operating company, CGM is subject to variety of different risks. These risks mainly include strategic and macroeconomic risks as well as operating, legal and political risks. Furthermore, the group is faced with risks resulting from its project-business, risks related to key personnel and financial risks.

The group's technological expertise and market knowledge makes it possible to assess risk and apply appropriate measures to actively manage the risk exposure. To guarantee a responsible risk handling, CompuGroup Medical works with standardized, group-wide integrated risk management system so that risks can be identified and analyzed at an early stage. A detailed description of the main risks and the specific structure of the risk management system can be found in the annual report of 2018, which can be downloaded free of charge from the company's homepage at www.cgm.com.

With the exception of the factors described under "Financial and Operational Review", we see no changes compared to the risk and opportunities described in the group management report for the financial year 2018. Risks that may impact the company as a going concern were not evident during the second quarter of 2019, neither in form of individual risks nor from the total risk position for CompuGroup Medical as a whole.

Interim Statement of Financial Position

as at 30 June 2019

ASSETS

EUR `000	30.06.2019	30.06.2018 (adjusted)	31.12.2018	31.12.2018 (adjusted)
Non-current assets				
Intangible assets	583,663	531,752	536,540	536,540
Property, plant and equipment	84,569	83,601	83,653	83,653
Use rights	40,266	0	0	0
Interests in affiliates (valued at-equity)	1,531	10,655	9,716	9,716
Other investments	743	169	725	725
Other participations	11,891	11,209	11,984	11,984
Contract assets	1,458	1,592	1,598	1,598
Other financial assets	3,604	1,648	1,606	1,606
Other non-financial assets	1,200	1,200	1,200	1,200
Deferred tax asset	7,267	4,430	8,476	8,476
	736,192	**646,256**	**655,498**	**655,498**
Current assets				
Inventories	24,345	17,824	19,579	19,579
Trade account receivables	101,860	117,596	105,596	105,596
Receivables from finance leases	5,928	5,212	5,802	5,802
Contract assets	13,082	12,287	8,409	8,409
Other financial assets	1,856	1,651	2,623	2,623
Other non-financial assets	22,493	14,410	15,588	15,588
Income tax receivables	3,797	5,185	8,854	8,854
Cash & cash equivalents	41,601	33,181	25,302	25,302
	214,962	**207,346**	**191,754**	**191,754**
Assets qualified as held for sale	1,327	0	1,059	1,059
	952,481	853,602	848,311	848,311

SHAREHOLDER EQUITY AND LIABILITIES

EUR '000	30.06.2019	30.06.2018 (adjusted)	31.12.2018	31.12.2018 (adjusted)
Equity				
Subscribed capital	53,219	53,219	53,219	53,219
Treasury shares	–63,345	–20,292	–45,259	–45,259
Reserves	264,461	200,427	262,928	253,757
Capital and reserves allocated to the shareholders of the parent company	**254,335**	**233,354**	**270,888**	**261,717**
Non-controlling interests	1,964	1,956	2,111	2,111
	256,298	**235,310**	**272,999**	**263,828**
Non-current liabilities				
Provisions for post-employment benefits and other non-current provisions	25,747	24,847	24,785	24,785
Liabilities to banks	317,628	279,843	302,602	302,602
Contract liabilities	8,361	7,483	7,108	7,108
Purchase price liabilities	8,815	7,212	3,789	3,789
Lease Liabilities	25,221	0	0	0
Other financial liabilities	15,912	7,101	17,135	17,135
Other non-financial liabilities	1,266	1,344	1,263	1,263
Deferred tax liabilities	52,209	43,706	43,510	43,510
	455,158	**371,536**	**400,192**	**400,192**
Current liabilities				
Liabilities to banks	4,221	40,883	5,822	5,822
Contract liabilities	81,087	71,042	33,951	33,951
Purchase price liabilities	9,240	8,812	9,486	9,486
Trade payables	39,798	37,695	39,293	39,293
Income tax liabilities	9,376	11,597	18,750	14,820
Other provisions	58,306	44,501	37,700	50,801
Lease Liabilities	14,528	0	0	0
Other financial liabilities	10,715	10,930	11,592	11,592
Other non-financial liabilities	13,334	21,296	18,286	18,286
	240,604	**246,756**	**174,880**	**184,051**
Liabilities related to assets held for sale	420	0	240	240
	952,481	853,602	848,311	848,311

Interim Income Statement

for the reporting period of 1 January - 30 June 2019

EUR '000	01.04.- 30.06.2019	01.04.- 30.06.2018 (adjusted)	01.01.- 30.06.2019	01.01.- 30.06.2018 (adjusted)	01.01.- 31.12.2018	01.01.- 31.12.2018 (adjusted)
Sales revenues	186,592	190,523	361,806	356,484	717,023	717,023
Capitalized in-house services	5,000	6,083	10,119	9,476	18,512	18,512
Other income	1,716	1,469	7,183	3,050	8,034	8,034
Expenses for goods and services purchased	–38,352	–43,052	–67,834	–78,458	–151,428	–151,428
Personnel costs	–88,347	–70,253	–172,337	–135,880	–286,767	–281,413
Net impairment losses on financial and contract assets	–697	–439	–1,231	–726	–2,562	–2,562
Other expenses	–28,512	–29,454	–54,904	–56,174	–120,330	–120,330
Earnings before interest, taxes, depr. and amortization (EBITDA)	**37,399**	**54,876**	**82,801**	**97,772**	**182,482**	**187,836**
Depreciation of property, plant and equipment	–7,039	–2,812	–13,823	–5,572	–11,415	–11,415
Earnings before interest, taxes and amortization (EBITA)	**30,360**	**52,064**	**68,977**	**92,200**	**171,067**	**176,421**
Amortization of intangible assets	–7,802	–7,822	–15,618	–15,632	–33,188	–33,188
Earnings before interest and taxes (EBIT)	**22,558**	**44,242**	**53,359**	**76,568**	**137,879**	**143,233**
Result from associates recognized at equity	–675	337	–1,173	–84	–293	–293
Financial income	222	519	581	1,146	2,010	2,010
Financial expenses	–1,799	–4,110	–3,227	–6,837	–10,845	–10,845
Earnings before taxes (EBT)	**20,305**	**40,987**	**49,540**	**70,793**	**128,751**	**134,105**
Income taxes for the period	–6,121	–15,658	–14,881	–25,675	–36,156	–37,763
Results from continued operations	**14,184**	**25,329**	**34,659**	**45,118**	**92,595**	**96,342**
Profit for the period from discontinued operations	0	0	0	0	0	0
Consolidated net income of the period	**14,184**	**25,329**	**34,659**	**45,118**	**92,595**	**96,342**
of which: allocated to the parent company	13,973	25,227	34,372	44,945	92,338	96,085
of which: allocated to non-controlling interests	212	102	287	173	257	257
Earnings per share (for profit from continuing operations)						
undiluted (EUR)	0.29	0.50	0.70	0.91	1.86	1.95
diluted (EUR)	0.29	0.50	0.69	0.91	1.85	1.95

Interim Statement of Comprehensive Income

for the reporting period of 1 January - 30 June 2019

EUR '000	01.4.- 30.06.2019	01.04.- 30.06.2018 (adjusted)	01.01.- 30.06.2019	01.01.- 30.06.2018 (adjusted)	01.01.- 31.12.2018	01.01.- 31.12.2018 (adjusted)
Consolidated Statement of the Comprehensive Income	**14,184**	**25,329**	**34,659**	**45,118**	**92,595**	**96,342**
Items that will not be reclassified to profit or loss at a future point in time						
Actuarial gains and losses from pensions	–77	403	–28	297	878	878
Changes in actuarial gains and losses	–101	566	–27	425	1,318	1,318
Deferred income taxes	24	–163	–1	–128	–440	–440
Items that may be reclassified to profit or loss at a future point in time						
currency conversion difference	–821	1,713	67	–430	927	927
of which changes in equity	396	–3,473	–520	–3,130	–3,217	–3,217
of which changes in income (recycling)	–1,217	5,186	587	2,700	4,144	4,144
Operating income and expense recognized directly in equity (Other comprehensive income)	**–898**	**2,116**	**39**	**–133**	**1,805**	**1,805**
Total comprehensive income for the period	**13,286**	**27,445**	**34,698**	**44,985**	**94,400**	**98,147**
of which: allocated to the parent company	13,074	27,343	34,411	44,812	94,143	97,890
of which: allocated to non-controlling interests	212	102	287	173	257	257

Cash Flow Statement

as at 30 June 2019

EUR '000	01.04.- 30.06.2019	01.04.- 30.06.2018 (adjusted)	01.01.- 30.06.2019	01.01.- 30.06.2018 (adjusted)	01.01.- 31.12.2018	01.01.- 31.12.2018 (adjusted)
Consolidated net income for the period	14,184	25,330	34,659	45,118	92,595	96,342
Depreciation of property, plant and equipment and amortization of intangible assets	14,841	10,634	29,442	21,204	44,603	44,603
Earnings on sale of fixed assets	680	–5	660	13	–84	–84
Change in provisions (including income tax liabilities)	3,462	–859	1,931	–5,180	7,553	3,806
Change in deferred taxes	848	3,778	2,735	3,143	–5,072	–5,072
Other non-cash earnings/ expenditure	3,131	11	3,185	1,799	11,970	11,970
	37,146	**38,890**	**72,611**	**66,097**	**151,565**	**151,565**
Change in inventories	–865	–3,220	–3,144	–5,322	–7,071	–7,071
Change in trade receivables and other receivables*	18,194	6,053	4,842	–19,669	–4,621	–4,621
Change in income tax receivables	4,393	952	5,074	1,335	–2,173	–2,173
Change in other receivables	1,189	377	–6,376	–2,947	–6,600	–6,600
Change in trade payables	9,139	5,316	–2,847	–6,132	–4,700	–4,700
Change Contract Liabilities	–24,261	–21,262	48,071	38,380	–3,138	–3,138
Change in other liabilities	–7,101	–4,279	–11,477	1,761	13,086	13,086
Operating cash flow - continuing operations	**37,835**	**22,827**	**106,755**	**73,503**	**136,348**	**136,348**
Operating cash flow	**37,835**	**22,827**	**106,755**	**73,503**	**136,348**	**136,348**
Cash outflow from the disposals of intangible assets	0	0	0	0	554	554
Cash outflow for capital expenditure in intangible assets	–6,710	–7,865	–13,006	–11,924	–27,626	–27,626
Cash inflow from disposals of property, plant and equipment	–53	35	143	240	515	515
Cash outflow for capital expenditure in property, plant and equipment	–7,561	–4,894	–12,821	–6,739	–12,727	–12,727
Net cash outflow for acquisitions (less acquired cash and cash equivalents and prepayments from prior periods)	–1,742	–767	–24,392	–767	–4,811	–4,811
Cash outflow for acquisitions from prior periods	–394	0	–1,133	0	–3,600	–3,600
Cash inflow from the disposal of subsidiaries and business units	0	0	0	0	215	215
Cash outflow for capital expenditures in joint ventures and associated companies	0	0	0	0	0	0
Cash flow from investing activities - continuing operations	**–16,460**	**–13,491**	**–51,209**	**–19,190**	**–47,480**	**–47,480**
Cash flow from investing activities	**–16,460**	**–13,491**	**–51,209**	**–19,190**	**–47,480**	**–47,480**
Buyback of own shares	0	0	–18,086	0	–24,967	–24,967
Dividends paid	–24,414	–17,403	–24,414	–17,403	–17,403	–17,403
Dividends paid to non-controlling interests	–119	–103	–119	–103	–103	–103
Acquisition of additional shares from non-controlling interests	–257	0	–257	0	–30	–30
Amortization of lease liabilities (2018: Payments for the repayment of finance lease liabilities)	–3,970	–924	–7,890	–1,843	–6,971	–6,971
Cash inflow from assumption of loans	35,494	285,752	58,687	287,698	297,329	297,329
Cash outflow from the repayment of loans	–26,199	–277,804	–47,302	–319,331	–341,265	–341,265
Cash flow from financing activities - continuing operations	**–19,465**	**–10,482**	**–39,381**	**–50,982**	**–93,410**	**–93,410**
Cash flow from financing activities	**–19,465**	**–10,482**	**–39,381**	**–50,982**	**–93,410**	**–93,410**
Cash and cash equivalents at the beginning of the period	0	0	25,302	30,362	30,362	30,362
Change in cash and cash equivalents	**1,912**	**–1,147**	**16,167**	**3,331**	**–4,542**	**–4,542**
Changes in cash and cash equivalents due to exchange rate fluctuations	58	–467	132	–512	–518	–518
Cash and cash equivalents at the end of the period	**1,970**	**–1,614**	**41,601**	**33,181**	**25,302**	**25,302**
Interest paid	1,029	2,402	1,922	4,810	8,104	8,104
Interest received	271	493	514	620	877	877
Income tax paid	5,997	15,451	13,910	21,554	35,333	35,333

* Changes in trade receivables and other receivables also include changes in receivables from finance leases and contract assets.

Changes in Consolidated Equity

as at 30 June 2019

EUR `000	Share capital	Treasury shares	Reserves	Accumulated other operating income Conversion	Equity attributable to shareholders of CGM SE	Non-controlling interest	Consolidated equity
Balance as at 31.12.2017	**53,219**	**–20,292**	**208,564**	**–20,237**	**221,254**	**1,886**	**223,140**
Changes due to the application of new standards IFRS 15	**0**	**0**	**–14,057**	**0**	**–14,057**	**0**	**–14,057**
Changes due to the application of new standards IFRS 9	**0**	**0**	**–995**	**0**	**–995**	**0**	**–995**
Consolidated net income for the period	**0**	**0**	**96,087**	**0**	**96,087**	**257**	**96,343**
Other comprehensive income	0	0	878	927	1,805	0	1,805
Changes in the fair value of cashflow hedges	0	0	0	0	0	0	0
Actuarial gains and losses	0	0	878	0	878	0	878
Currency conversion differences	0	0	0	927	927	0	927
Total comprehensive income for the period	**0**	**0**	**96,965**	**927**	**97,892**	**257**	**98,148**
Transactions with shareholders	**0**	**–24,967**	**–17,409**	**0**	**–42,376**	**–32**	**–42,408**
Capital contribution	0	0	0	0	0	0	0
Dividend distribution	0	0	–17,403	0	–17,403	–103	–17,506
Stock options program	0	0	95	0	95	0	95
Non-controlling interests from acquisitions	0	0	–29	0	–29	29	0
Additional purchase of shares from non-controlling interests after control	0	0	–72	0	–72	42	–30
Buyback of treasury shares	0	–24,967	0	0	–24,967	0	–24,967
Other changes	0	0	–1	0	–1	0	–1
Balance as at 31.12.2018	**53,219**	**–45,260**	**273,067**	**–19,310**	**261,717**	**2,111**	**263,827**
Changes due to the application of the new standard IFRS 16	**0**	**0**	**400**	**0**	**400**	**0**	**400**
Consolidated net income for the period	**0**	**0**	**34,374**	**0**	**34,374**	**287**	**34,662**
Other comprehensive income	**0**	**0**	**–28**	**67**	**38**	**0**	**38**
Changes in the fair value of cashflow hedges	0	0	0	0	0	0	0
Actuarial gains and losses	0	0	–28	0	–28	0	–28
Currency conversion differences	0	0	–0	67	67	0	67
Total comprehensive income for the period	**0**	**0**	**34,345**	**67**	**34,412**	**287**	**34,700**
Transactions with shareholders	**0**	**–18,086**	**–24,108**	**0**	**–42,194**	**–433**	**–42,628**
Capital contribution	0	0	0	0	0	0	0
Dividend distribution	0	0	–24,414	0	–24,414	–119	–24,533
Stock options program	0	0	185	0	185	0	185
Non-controlling interests from acquisitions	0	0	0	0	0	62	62
Additional purchase of shares from non-controlling interests after control	0	0	120	0	120	–377	–257
Buyback of treasury shares	0	–18,086	0	0	–18,086	0	–18,086
Other changes	0	0	0	0	0	0	0
Balance as at 30.06.2019	**53,219**	**–63,345**	**283,704**	**–19,243**	**254,335**	**1,964**	**256,298**

Explanatory Notes

GENERAL ACCOUNTING PRINCIPLES FOR THE INTERIM FINANCIAL REPORT

General Accounting Principles

The accompanying condensed IFRS-Interim Financial Statement for the period as of 30 June 2019, is a Consolidated Financial Statement. Unless otherwise specified, all amounts are provided in thousands of euros (TEUR) or millions of euros (MEUR). Rounding differences of +/- one unit (EUR thousands, percent, etc.) may arise due to computational reasons.

The second quarter consolidated financial statements as of 30 June 2019, have been prepared like the Consolidated Annual Financial Statements as of 31 December 2018, in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU. This Consolidated Interim Financial Statement, prepared in accordance to IAS 34, is condensed compared to the scope applied for the Consolidated Financial Statement for the full year.

The accounting policies in the interim Financial Statements are consistent with those used in the Consolidated Financial Statements of 31 December 2018, with the exception of the subsequently illustrated and firstly applied revised standards. Relevant information is shown in the Consolidated Financial Statements as of 31 December 2018. This Consolidated Interim Financial Statements and the Interim Management Report were neither audited nor reviewed by an auditor.

The overview below gives information about the relevant foreign exchange rates for the condensed consolidated interim IFRS-financial statements:

	Fixed rates		Average rates 01.01.-30.06.	
1 € corresponds to	30.06.2019	31.12.2018	2019	2018
Denmark (DKK)	7.46	7.47	7.47	7.45
Canada (CAD)	1.49	1.56	1.51	1.55
Malaysia (MYR)	4.71	4.73	4.65	4.77
Norway (NOK)	9.69	9.95	9.73	9.59
Poland (PLN)	4.25	4.30	4.29	4.22
Romania (RON)	4.73	4.66	4.74	4.65
Sweden (SEK)	10.56	10.25	10.52	10.15
Switzerland (CHF)	1.11	1.13	1.13	1.17
Singapore (SGD)	1.54	1.56	1.54	1.61
South Africa (ZAR)	16.12	16.46	16.04	14.89
Czech Republic (CZK)	25.45	25.72	25.69	25.50
Turkey (TRY)	6.57	6.06	6.36	4.96
USA (USD)	1.14	1.15	1.13	1.21

Unless otherwise stated, all figures refer to the first six months of the financial year 2019 and 2018 respectively. The business development showed no signs of significant cyclical fluctuations. The business volume of CompuGroup Medical SE normally tends to be higher in the second half of the year and particularly in the fourth quarter of the financial year (1 October – 31 December).

When preparing the consolidated interim financial statements, the management made estimates and assumptions in the process of applying the accounting policies that may influence the amounts of assets, liabilities as well as expense and income. Although these assumptions and estimates were made to the best knowledge of the Management Board, actual results may differ from these estimates.

The main assumptions being used for preparing the Consolidated Interim Financial Statements are identical to those used for the preparation of the Consolidated Financial Statements as at year-end 31 December 2018, with the exception of new standards to be applied. Furthermore, assumptions have been made for the current fiscal year 2019 in the determination of the personnel expenses, the provisions for post-employment benefits and anniversaries and for the tax accruals for the fiscal year.

Corrections in treatment of accounting principles

Based on the resignation agreement with a board member it was identified that the stock options granted in 2008 should have be recognized, based on legal restrictions, as cash-settled according to IFRS 2.41. The effect should have been shown as remuneration components based on stock options in the short-term provisions in the statement of financial positions. After granting the stock options and passing the waiting period, they should have been exercisable at any time and therefore these stock options should have been revaluated and recognized through profit and loss at each balance sheet date, since they were granted, with the underlying share price at sock marked of the CompuGroup shares. The mistake was corrected by adjusting the relevant prior periods. The effect on the personnel expenses, resulting from the actual revaluation of the stock options, was treated through profit and loss within the first two quarters in 2019. The negative effect from the revaluation for the first half year of 2019 amounts -11.5 MEUR, of which -4.52 MEUR accounted for the first quarter in 2019 and -6.94 MEUR for the second quarter. For the purpose of comparison, the following affected positions and periods in the statement of financial positions were shown as it was stated before and separately including the revaluated values.

The following tables show the respective corrections for the consolidated statement financial position for the annual financial statements 31. December 2018 and the quarterly financial statements for 31 March 2018, 30 June 2018 and 31 March 2019.

The corrections in the accounting principles as at 31 December 2018 were made as follows:

Consolidated balance sheet

December 31, 2018	Effect from adjustment		
EUR '000	as reported	Adjustments	Adjusted
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 debts and liabilities	518,862	0	518,862
Total debts and liabilities	**575,312**	**9,171**	**584,483**
Reserves	262,928	–9,171	253,757
Other equity components	10,071	0	10,071
Equity	**272,999**	**–9,171**	**263,828**

Consolidated income statement

December 31, 2018	Effect from adjustment		
TEUR	as reported	Adjustments	Adjusted
Personnel costs	–286,767	5,354	–281,413
Income taxes	–36,156	–1,607	–37,763
Other components of consolidated profit and loss statement	415,518	0	415,518
Results from continued operations	92,595	3,747	96,342
Earnings per share (from continued operation)			
undiluted (EUR)	1.86	0.09	1.95
diluted (EUR)	1.85	0.10	1.95
Cash Net Income	121,064	3,747	124,811
Cash Net Income per share (EUR)	2.45	0.07	2.52

The corrections in the accounting principles as at 31 March 2018 were made as follows:

March 31, 2018		Effect from adjustment	
EUR '000	as reported	Adjustments	Adjusted
Total assets	**853,451**	**0**	**853,451**
Income tax liabilities	15,617	–4,324	11,293
Other provisions	31,195	14,415	45,610
Other debts and liabilities	572,368	0	572,368
Total debts and liabilities	**619,180**	**10,091**	**629,271**
Reserves	199,387	–10,091	189,296
Other equity components	34,884	0	34,884
Equity	**234,271**	**–10,091**	**224,180**

March 31, 2018		Effect from adjustment	
EUR '000	as reported	Adjustments	Adjusted
Personnel costs	–69,669	4,043	–65,626
Income taxes	–8,804	–1,213	–10,017
Other components of consolidated profit and loss statement	95,431	0	95,431
Results from continued operations	16,958	2,830	19,788
Earnings per share (from continued operation)			
undiluted (EUR)	0.34	0.06	0.40
diluted (EUR)	0.34	0.06	0.40
Cash Net Income	24,284	4,649	28,933
Cash Net Income per share (EUR)	0.49	0.09	0.58

* incl. corrections in the presentation of Cash Net Income Q1/2018 report

The corrections in the accounting principles as at 30 June 2018 were made as follows:

June 30, 2018		Effect from adjustment	
EUR '000	as reported	Adjustments	Adjusted
Total assets	**853,602**	**0**	**853,602**
Income tax liabilities	15,929	–4,332	11,597
Other provisions	30,063	14,438	44,501
Other debts and liabilities	562,194	0	562,194
Total debts and liabilities	**608,186**	**10,106**	**618,292**
Reserves	210,533	–10,106	200,427
Other equity components	34,883	0	34,883
Equity	**245,416**	**–10,106**	**235,310**

June 30, 2018	Effect from adjustment		
EUR '000	as reported	Adjustments	Adjusted
Personnel costs	–139,900	4,020	–135,880
Income taxes	–24,469	–1,206	–25,675
Other components of consolidated profit and loss statement	206,673	0	206,673
Results from continued operations	42,304	2,814	45,118
Earnings per share (from continued operation)			
undiluted (EUR)	0.85	0.06	0.91
diluted (EUR)	0.86	0.05	0.91
Cash Net Income	55,432	2,813	58,245
Cash Net Income per share (EUR)	1.11	0.06	1.17

The corrections in the accounting principles as at 31 March 2019 were made as follows:

December 31, 2018	Effect from adjustment		
EUR '000	as reported	Adjustments	Adjusted
Total assets	**979,392**	**0**	**979,392**
Income tax liabilities	17,247	–5,287	11,960
Other provisions	35,002	17,625	52,627
Other debts and liabilities	647,001	0	647,001
Total debts and liabilities	**699,250**	**12,338**	**711,588**
Reserves	287,858	–12,338	275,520
Other equity components	–7,716	0	–7,716
Equity	**280,142**	**–12,338**	**267,804**

March 31, 2019	Effect from adjustment		
TEUR	as reported	Adjustments	Adjusted
Personnel costs	–79,468	–4,523	–83,991
Income taxes	–10,117	1,357	–8,760
Other components of consolidated profit and loss statement	113,225	0	113,225
Results from continued operations	23,640	–3,166	20,474
Earnings per share (from continued operation)			
undiluted (EUR)	0.48	–0.06	0.42
diluted (EUR)	0.49	–0.07	0.42
Cash Net Income	30,313	–3,166	27,147
Cash Net Income per share (EUR)	0.61	–0.06	0.55

On 1 August 2019, an agreement with a leaving board member was negotiated for the settlement of the stock options . The settlement result in a positive one-off EBITDA effect of +7.56 MEUR from the revaluation of the stock options in the third quarter of 2019.Overall this result in a net negative one-off EBITDA effect of -3.9 MEUR for financial year 2019.

New and revised Standards to be applied for the financial year 2019

CompuGroup Medical has implemented all the accounting standards established by the EU and required to be applied as of 1 January 2019.

Standard (Issue date)	Subject matter:	Effective for financial years beginning on or after (EU)
Amendments to IAS 28 (12 October 2017)	The amendments to IAS 28 clarify that IFRS 9 has to be applied to non- current investments in associates or joint ventures, whose accounting is not carried out according to the equity method.	1 January 2019
IFRIC 23 (7. June 2017)	IFRIC 23 clarifies the accounting for uncertainties in income taxes. The interpretation is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12.	1 January 2019
Amendment to IFRS 9 (12. October 2017)	The proposed amendments to IFRS 9 relate to a limited adjustment of the assessment criteria relevant for the classification of financial assets. Financial assets with a prepayment feature with negative compensation may under certain circumstances be carried at amortized cost or at fair value through other comprehensive income at fair value through profit or loss.	1 January 2019
IFRS 16 (13. January 2016)	The core requirement of IFRS 16 is to recognized generally all leasing arrangements as well as the associated contractual rights and obligations in the balance sheet of the lessee. The previous differentiation between finance lease and operating lease applied under IAS17, is there with not applicable anymore for the lessee.	1 January 2019
Annual Improvements to IFRS (2015-2017 Cycle) (12 December 2017)	The annual improvement process affects following standards: IFRS 3, IFRS 11, IAS 12 und IAS 23.	1 January 2019
Amendments to IAS 19 (7 February 2018)	The amendments require a remeasurement of the current service cost and the net interest for the remainder of the period after the plan amendment, curtailment or settlement using the remeasured net defined benefit liability (asset). For the remeasurement the current fair value of plan assets and the current actuarial assumptions shall be used.	1 January 2019

The same accounting policies and consolidation principles have been applied in preparing the interim consolidated financial statements and the comparative figures for the previous year as in the consolidated financial statements 2018.

A detailed description of these accounting policies and valuation methods is given in the notes of the consolidated financial statements 2018.

Standards, Interpretations and amendments which have already been endorsed by the EU but are applied at a later date

There are no standards, interpretations and amendments to published standards adopted by the EU but applicable at a later date. The expectations were described in detail in the Annual Report as of 31 December 2018, to which reference is expressly made at this point.

Amendments, standards and interpretations published by the IASB but not yet transported into European legislation

The IASB and IFRIC have adopted several additional standards and interpretations which are not yet mandatory applicable in the fiscal year 2019 starting from 1 January 2019. The application of these IFRS and IFRIC is depending from the EU-endorsement.

Standard (Issue date)	Subject matter	Effective for financial years beginning on or after (EU)
IFRS 17 (18 May 2017)	This standard makes a consistent international accounting standard for insurance businesses available. The objective is to raise transparency and comparability of insurance accountings.	1 January 2021
Amendments to the Conceptual Framework (29 March 2018)	The revision of the Conceptual Framework covered in particular a new chapter on the valuation of assets and liabilities, guidance on the presentation of the financial position, revised definitions of assets and liabilities and clarifications on the importance of accountability and prudence in the context of IFRS accounting.	1 January 2020

Amendments to IFRS 3 Business Combinations (22 October 2018)	The changes aim to solve the problems that arise when a company determines whether it has acquired its business or a group of assets.	1 January 2020
Amendments to IAS 1 and IAS 8: Definition of Essentiality (31 October 2018)	The aim of the amendment is to standardize the definition of materiality in all IFRSs and the conceptual framework as well as to prevent the deception of significant information that is insignificant. For this, a clarification of the definition of "essential" is made.	1 January 2020
IFRS 14 (30 January 2014)	Regulatory Deferral Accounts	The European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard.
Amendments to IFRS 10 and IAS 28 (11 September 2014)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Postponed indefinitely

The possibility of an early application for particular standards is given. CompuGroup Medical SE does not make use of the possibility of an early application of these standards. Currently CompuGroup Medical SE evaluates the consequences, which will arise from the first-time adoption of these standards.

For the application of the remaining standards, amendments and interpretations no significant changes for the (interim-) consolidated financial statements of CompuGroup Medical SE are expected. More detailed expectations were described in the Annual Report from 31 December 2018, on which is referred at this point.

SELECTED EXPLANATORY NOTES

Changes in the business and the economic circumstances

In comparison to the financial year 2018, the first six months of 2019, show no significant changes to the business and the economic circumstances of CompuGroup Medical SE, with the exception of the factors described in the Interim Management Report.

Scope of Consolidation

The Consolidated Interim Financial Statements as of 30 June 2019 include the Financial Statements of CompuGroup Medical SE and all companies controlled by CompuGroup Medical SE (subsidiaries) as of 30 June 2019. The consolidation begins from the date control is obtained and ends when control ceases to exist. Compared to the 31 December 2018, the scope of consolidation has changed as follows:

Changes in scope of Consolidation	Germany	Foreign countries	Total
CompuGroup Medical SE and consolidated subsidiaries:			
As at 1. January 01.01.2019	32	58	90
Additions	3	2	5
Disposals / Merger	0	1	1
As at 30.06.2019	**35**	**59**	**94**

The disposal results from the liquidation of SF Sanità S.r.l. in Italy.

The additions result from CGM's acquisition in 2019 of Gotthardt Informationssysteme GmbH, Qualitätsverbund MED-IT GmbH & Co.KG and MED-IT Verwaltungs-GmbH (GIS Group), all in Germany, Fablab S.r.l. in Italy and Qualizorg B.V. in the Netherlands.

Additions from business combinations – together with other business combinations with no impact on the scope of consolidation – are shown in the table below on the basis of the values at the time of acquisition with their impact on the consolidated financial statements.

Company acquisitions, disposals and company foundations

EUR `000	Total	GIS-Gruppe	Fablab S.r.l.	Qualizorg B.V.	CoSi Medical IT GmbH	Other Acquisitions
Purchase Date		**01.01.2019**	**01.01.2019**	**14.02.2019**	**01.01.2019**	
Voting rights acquired in %			**100%**	**100%**	**Asset Deal**	
Acquired assets and liabilities assumed recognized at acquisition date						
Non-current assets	**32,666**	**17,795**	**4,541**	**7,756**	**1,030**	**1,544**
Software	1,493	108	40	1,026	26	293
Customer relationships	27,153	15,193	4,132	6,016	598	1,214
Brands	1,061	607	218	133	66	37
Order backlog	0	0	0	0	0	0
Property and buildings	7	7	0	0	0	0
Other fixed assets and office equipment	668	525	58	0	85	0
Use rights	1,609	740	55	560	254	0
Receivables from finance leases	0	0	0	0	0	0
Other non-current financial assets	38	26	7	4	1	0
Other non-current non-financial assets	0	0	0	0	0	0
Deferred tax assets	637	589	31	17	0	0
Current assets	**10,943**	**5,284**	**2,822**	**2,610**	**227**	**0**
Inventories	1,621	1,512	0	0	109	0
Trade receivables	5,650	2,675	1,438	1,489	48	0
Receivables from finance leases	0	0	0	0	0	0
Contract asset	0	0	0	0	0	0
Other current financial assets	1,260	71	1,189	0	0	0
Other current non-financial assets	503	288	48	97	70	0
Income tax receivables	20	20	0	0	0	0
Cash and cash equivalents	1,889	718	147	1,024	0	0
Non-current liabilities	**9,461**	**5,654**	**1,174**	**2,312**	**321**	**0**
Pensions	308	150	78	0	80	0
Liabilities to banks	0	0	0	0	0	0
Contract debts	0	0	0	0	0	0
Other provisions	0	0	0	0	0	0
Leasing liabilities	1,514	703	52	518	241	0
Other financial liabilities	29	29	0	0	0	0
Other non-financial liabilities	0	0	0	0	0	0
Other liabilities	0	0	0	0	0	0
Deferred tax	7,610	4,772	1,044	1,794	0	0
Current liabilities	**11,901**	**6,363**	**2,544**	**2,882**	**108**	**4**
Contract debts	348	249	85	0	14	0
Trade payables	3,339	869	2,354	116	0	0
Contingent liabilities	0	0	0	0	0	0
Liabilities to banks	2,039	2,039	0	0	0	0
Other provisions	742	607	37	0	94	4

Leasing liabilities	0	0	0	0	0	0
Income tax liabilities	69	197	–149	21	0	0
Other financial liabilities	2,290	1,935	266	89	0	0
Other non-financial liabilities	3,074	467	–49	2,656	0	0
Net assets acquired	**22,247**	**11,062**	**3,645**	**5,172**	**828**	**1,540**
Purchase price paid in cash	28,281	16,984	1,000	7,156	1,461	1,680
Liabilities assumed	7,266	1,746	2,603	2,500	0	417
of which contingent consideration	7,266	1,746	2,603	2,500	0	417
Issued equity instruments	0	0	0	0	0	0
Fair value of equity interest in the acquiree held by acquirer immediately before the acquistion date	7,002	3,792	3,210	0	0	0
Disposal result of the investment at equity	432	621	–189	0	0	0
Revaluation of old shares through profit or loss in accordance with IFRS 3.42	3,940	2,857	1,083	0	0	0
Total consideration transferred	**46,921**	**26,000**	**7,707**	**9,656**	**1,461**	**2,097**
Non-controlling interests	62	62	0	0	0	0
Goodwill	**24,765**	**15,029**	**4,062**	**4,484**	**633**	**557**
Acquired cash and cash equivalents	1,889	718	147	1,024	0	0
Purchase price paid in cash	26,281	16,984	0	7,156	461	1,680
Prepayments on acquisitions (from prior periods)	2,000	0	1,000	0	1,000	0
Fair value of equity interest in the acquiree held by acquirer immediately before the acquistion date	0	0	0	0	0	0
Payments for acquistions after date of acquistion	1,133	0	0	0	0	1,133
Cash outflow for acquisitions (net)	**–27,064**	**–16,266**	**–853**	**–6,132**	**–1,000**	**–2,813**
Effects of the acquisition on Group result	**0**	**0**	**0**	**0**	**0**	**0**
Sales revenue following date of acquisition**	11,617	9,282	887	1,448	0	0
Result following date of acquisition**	3,505	3,010	48	447	0	0
Sales revenue for the fiscal year (hypothetical date of acquisition 1 January)	12,107	9,282	887	1,938	0	0
Result for the fiscal year (hypothetical date of acquisition 1 January)	3,629	3,010	48	571	0	0
Costs attributable to the acquisition	**0**	**0**	**0**	**0**	**0**	**0**

** Values come from the individual financial statements

Acquisition of Gotthardt Informationssysteme GmbH, Germany

In December 2018, K-Line Praxislösungen GmbH acquired, with effect from 1 January 2019 because of the suspensive condition of approval by the antitrust authorities, the outstanding shares (72.04 percent) in Gotthardt Informationssysteme GmbH (in the following GIS), with registered office in Koblenz, Germany, as well as its investment in the course of a successive share purchase.

GIS is Germany's largest Medistar sales and service partner and currently serves approximately 6,400 customers and has more than twelve locations throughout Germany. Through the acquisition of GIS, more than 60 percent of the entire German market for Medistar ambulatory information systems will now be served by CGM.

GIS was initially consolidated on 1 January 2019. The turnover of GIS for the financial year 2018 amounted to about 24,204 TEUR with an EBITDA of 5,449 TEUR. The total consideration to be paid amounts to 18,730 TEUR and was already paid in the amount of 18,006 TEUR as of the balance sheet date. The outstanding residual purchase price of 724 TEUR was recognized under current purchase price liabilities

Based on the current estimate, the preliminary goodwill of 15,029 TEUR results mainly from the expansion of sales channels and the associated upselling opportunities in the AIS business segment. The recognized goodwill is partially deductible for tax purposes.

The preliminary fair value of the acquired intangible assets, excluding goodwill, amounts to 15,800 TEUR and is related to trademark rights and customer relationships. For the receivables acquired as part of the business combination, the fair value corresponds to the carrying amounts acquired at the acquisition date due to the expected term of the receivables and the best possible estimate of the addition of the contractually fixed cash flows. After initial analysis of the available financial information, uncollectable receivables were not identified at the time of initial recognition.

Deferred tax liabilities of 4,772 TEUR are recognized on the fair value of the acquired intangible assets excluding goodwill. Deferred tax assets in the amount of 589 TEUR were recognized from hidden charges. To date, no contingent liabilities or contingent assets have been identified.

GIS is not a listed company, which is why the fair value of the investment was derived from a company valuation. A control premium was priced into the pricing of the second tranche. In our estimation, the control premium paid would also have been paid for the shares from the first tranche in the case of an acquisition in a single transaction. On a preliminary basis, the transitional consolidation (successive acquisition with takeover of control) results in a fair value step-up of 2,857 TEUR, which is recognized in profit or loss.

The valuation of the acquisition of GIS was carried out in preliminary format, due to partly incomplete or not yet fully evaluated information of the acquired customer relationships and trademark rights. There may also still be changes in the value of inventories acquired or pension obligations assumed, which may have an impact on the consideration to be paid.

Acquisition of Fablab S.r.l., Italy
In December 2018, CompuGroup Medcial Italia SpA acquired, with in rem effect from 1 January 2019, the outstanding shares (25 percent) in Fablab S.r.l., with registered office in Trieste, Italy (in the following Fablab), as part of a successive share purchase.

Fablab was founded in 2008 with the aim of creating a digital healthcare agency addressed to the pharmaceutical industry. Fablab has specific skills in the pharmaceutical industry branch, while Intermedix Italia S.r.l. (a Group company merged into Fablab in 2017 in exchange for shares in Fablab), has a unique communication channel thanks to its direct access to the management software of the experts and praises a leading role in terms of market share. The company develops cutting-edge products and services that can satisfy the digital needs of the healthcare industry.

Fablab was initially consolidated on 1 January 2019. The turnover of Fablab for the financial year 2018 amounted to about 2,289 TEUR with an EBITDA of 200 TEUR. The total consideration to be paid amounts to 3,603 TEUR and was paid at closing date in the amount of 1,000 TEUR, divided as follows into 1,000 TEUR fixed and 2,603 TEUR variable purchase price components.

Based on the current estimate, the preliminary goodwill of 4,062 TEUR results mainly from the know-how of the employees, the strategic positioning in the healthcare market and a unique access to the decision makers in the healthcare sector in Italy. The recognized goodwill is not deductible for tax purposes.

The preliminary fair value of the acquired intangible assets, excluding goodwill, amounts to 4,350 TEUR and is related to trademark rights and customer relationships. For the receivables acquired as part of the business combination, the fair value corresponds to the carrying amounts acquired at the acquisition date due to the expected term of the receivables and the best possible estimate of the addition of the contractually fixed cash flows. After initial analysis of the available financial information, uncollectable receivables were not identified at the time of initial recognition.

Deferred tax liabilities of 1,044 TEUR are recognized on the fair value of the acquired intangible assets excluding goodwill. To date, no contingent liabilities or contingent assets have been identified.

Fablab is not a listed company, which is why the fair value of the investment 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 (successive acquisition with takeover of control) results in a fair value step-up of 1,083 TEUR, which is recognized in profit or loss.

The valuation of the acquisition of Fablab was carried out in preliminary format, due to partly incomplete or not yet fully evaluated information of the acquired customer relationships and trademark rights. There may also still be changes in the value of pension obligations assumed, which may have an impact on the consideration to be paid.

Acquisition of the assets of CoSi Medical IT GmbH, Germany
In December 2018, with effect from 1 January 2019, Stock Informatik Verwaltungs GmbH, a 100 percent subsidiary of K-Line Praxislösungen GmbH, acquired the "Medistar Vertrieb und Service" business unit of CoSi Medical IT GmbH as part of a business combination by transferring the net assets (asset deal).

The "Medistar Vertrieb und Service" business unit comprises all business activities in the area of sales, service and support in sales regions in Baden-Württemberg and Bavaria and currently supports approximately 1,874 CGM Medistar physicians in 921 medical practices/MVZs.

The business area was included in the consolidated financial statements for the first time as of 1 January 2019. The turnover of CoSi for the financial year 2018 amounted to about 3,575 TEUR with an EBITDA of 254 TEUR. The total consideration to be paid amounts to 1,461 TEUR and was paid out completely at closing date.

The acquired net assets amount to 163 TEUR. Based on the current estimate, the preliminary goodwill of 633 TEUR results mainly from synergy effects through the joint use of resources and sales channels and the generation of purchasing benefits with Medistar sales and service partners already existing in the Group. The recognized goodwill will be deductible for tax purposes in the future.

The preliminary fair value of the acquired intangible assets, excluding goodwill, amounts to 664 TEUR and is related to trademark rights and customer relationships.

To date, no contingent liabilities or contingent assets have been identified.

The valuation of the acquired assets of the "Medistar Vertrieb und Service" business unit was carried out in preliminary format, due to partly incomplete or not yet fully evaluated information of the acquired customer relationships and trademark rights. There may also still be changes in the value of acquired inventories or in the working time account, which may have an impact on the consideration to be paid.

Acquisition of Qualizorg B.V., Netherlands
In February 2019, CompuGroup Medcial Holding Coöperatief U.A., a subsidiary of CompuGroup Medical SE (99.98 percent) and CompuGroup Medical Deutschland AG (0.02 percent), acquired 100 percent of the shares in Qualizorg B.V. (in the following Qualizorg) with registered office in Deventer, the Netherlands.

The company is active as an online healthcare service provider, collecting information through survey/ questionnaires from patients/ clients related to customers on a continuous, standardized and validated basis for the acquisition, management and reporting of Patient Reported Experience Measurements (PREMs) and/ or Patient Reported Outcome Measurements (PROMs) in primary health care.

Qualizorg was initially consolidated in February 2019. The turnover of Qualizorg for the financial year 2018 amounted to about 4,136 TEUR with an EBITDA of 1,793 TEUR. The total consideration to be paid amounts to 9,656 TEUR and was already paid at closing date in the amount of 7,156 TEUR. In addition, contingent purchase price payments of 2,500 TEUR are expected until 2021.

Based on the current estimate, the preliminary goodwill of 4,484 TEUR results mainly from the positive market strategy effects to be expected from the acquired know-how and from the synergy effects arising within the Group as a result of the integration of Qualizorg into the Group. The recognized goodwill is not deductible for tax purposes.

The preliminary fair value of the acquired intangible assets, excluding goodwill, amounts to 7,175 TEUR and is related to software, trademark rights and customer relationships. For the receivables acquired as part of the business combination, the fair value corresponds to the carrying amounts acquired at the acquisition date due to the expected term of the receivables and the best possible estimate of the addition of the contractually fixed cash flows. After initial analysis of the available financial information, uncollectable receivables were not identified at the time of initial recognition.

Deferred tax liabilities of 1,794 TEUR are recognized on the fair value of the acquired intangible assets excluding goodwill. To date, no contingent liabilities or contingent assets have been identified.

The valuation of the acquisition of Qualizorg was carried out in preliminary format, due to partly incomplete or not yet fully evaluated information of the acquired customer relationships and trademark rights.

Remaining Additions
The remaining additions include the following business combinations.

Acquisition of the assets of Eurosof2000 S.L.U., Spain
In April 2019, OWL Computer S.L.U:, a 100 percent subsidiary of Medigest Consultores S.L., acquired the business operations of Eurosof2000 S.L.U. (in the following Eurosof) as part of a business combination by transferring the net assets (asset deal).

Eurosof is a medium-sized company based in Badajoz, a medium-sized city, capital of the Extremadura region in south-eastern Spain. The Farmalog software currently runs in 390 pharmacies. Pharmacy software solutions require in spain certification in each region by the local pharmacist in order to connect to the e-prescription servers. The Farmalog e-prescription module is already approved and used in pharmacies in four Spanish regions.

The business area was included in the consolidated financial statements for the first time in May 2019. The turnover of Eurosof for the financial year 2018 amounted to about 893 TEUR with an EBITDA of 334 TEUR. The total consideration to be paid amounts to 2,100 TEUR and was paid out in the amount of 1,680 TEUR at closing date. In addition, contingent purchase price payments in the amount of 417 TEUR are expected by 2021.

The acquired net assets amount to -4 TEUR. Based on the current estimate, the preliminary goodwill of 557 TEUR results mainly of the expected effects of the expansion of the Group's market reach in Spain and the expansion of its sale channels. The recognized goodwill will be deductible for tax purposes in the future.

The preliminary fair value of the acquired intangible assets, excluding goodwill, amounts to 1,544 TEUR and is related to software, trademark rights and customer relationships.

To date, no contingent liabilities or contingent assets have been identified.

The valuation of the asset deal of Eurosof was carried out in preliminary format, due to partly incomplete or not yet fully evaluated information of the acquired software, customer relationships and trademark rights.

Acquisition of n-design Gesellschaft für systematische Gestaltungen mbH, Germany
In 2018, CompuGroup Medical SE, acquired 95 percent of the shares in n-design Gesellschaft für systematische Gestaltungen mbH with registered office in Cologne, Germany. The purchase price amounted to 1,650 TEUR and has already been paid in the amount of 1,150 TEUR as of 31 December 2018. The outstanding purchase price of 500 TEUR 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 percent of the shares in Innomed Gesellschaft für medizinische Softwareanwendungen GmbH, were exercised. This resulted in a purchase price of 2,502 TEUR, which was based on fixed sales volumes and was already paid out in the amount of 2,263 TEUR as of 31 December 2018. The outstanding purchase price of 239 TEUR was paid in the first quarter of 2019.

Acquisition of factis GmbH, Germany
In 2018, CGM Clinical Deutschland GmbH, a 100 percent subsidiary of CompuGroup Medical SE, acquired 100 percent of the shares in factis GmbH with registered office in Freiburg im Breisgau, Germany. The purchase price amounted to 3,450 TEUR and has already been paid in the amount of 3,105 TEUR as of 31 December 2018. The outstanding purchase price of 301 TEUR was paid on 30 June 2019.

Acquisition of LMZ-Soft AG, Germany
In 2015, CGM Clinical Deutschland GmbH, a 100 percent subsidiary of CompuGroup Medical SE, acquired 100 percent of the shares in LMZ-Soft AG, based in Saalfeld, Germany. As of the balance sheet date, an amount of 93 TEUR was paid to the sellers, which is undisputed despite legal disputes over the amount of the outstanding purchase price liability. The legal dispute has not been settled as of the balance sheet date.

Significant effects of changes in accounting policies

IFRS 16

IFRS 16, Leases, was applied from 01 January 2019 and replaces IAS 17, Leases, and the related interpretations, which represented the previous standard for the accouting of leases. CompuGroup Medical SE has adopted the modified retrospective approach as defined by IFRS 16(C5)(b); the comparative figures for the prior-year periods have not been restated. A detailed description of the main effects of the application of IFRS 16 at CGM can be found in the Annual Report 2018.

As part of the first-time application of IFRS 16, leases that were previously classified as operating leases in accordance with IAS 17 are recognized as lease liabilities at the present value of the remaining lease payments. The discounting is performed by using the lessee's marginal borrowing rate at the time of first application. A weighted average borrowing rate between 0,72% and 1,55% has been applied to the lease liabilities as of 01 January 2019.

Reconciliation of lease liabilities as of 01 January 2019:	TEUR
Obligations from operating leases reported as at 31 December 2018	40,899
Discounted at the lessor's marginal interest rate on borrowed capital	39,500
Additional finance lease liabilities recognized as of 31 December 2018	961
Lease liabilities recognized at 01 January 2019	**40,461**
Thereof:	
Current leasing liabilities	14,788
Non-current leasing liabilities	25,673

The recognized rights of use consist of approximately 75% leases of land and buildings. No value adjustment of the rights of use was not necessary, as there are no onerous leases.

As of 01 January 2019, the changes regarding the accounting policy affected the following balance sheet items as follows:	TEUR
Decrease in property, plant and equipment	–881
Increase in rights of use asset	40,881
Decrease in other financial liabilities	–961
Increase in lease liabilities	40,461
Increase in deferred tax liabilities	100
Increase in other reserves	400

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

In addition, at the date of first-time application of IFRS 16, the following significant options and simplifications were exercised:

+ For leased assets of minor value and current leases (less than twelve months), there are application simplifications, which the CGM Group does not make use of.
+In connection with the determination of the leasing term, subsequently enhanced obtained knowledge (so-called hindsight) is sometimes taken into account if this leads to a better estimate for the exercise of extension or termination options.
+ The regulation of grandfathering is not invoked. On 01 January 2019, the leasing standard will therefore be applied to all existing contracts falling within its scope. This applies to both, to contracts on the lessee side and to contracts on the lessor side.

The introduction of IFRS 16 had the following effects on the individual segments for the first 6 month 2019:

AIS: EBITDA + 3.325 TEUR
PCS: EBITDA + 988 TEUR
HIS: EBITDA + 1.408 TEUR
HCS: EBITDA + 373 TEUR
OTHER: EBITDA + 2.146 TEUR

Financial Instruments
The Group has various financial assets, such as trade receivables, which result directly from its business activities. The same recognition and measurement principles were applied as for the consolidated financial statements as of 31 December 2018.

The following table presents the book values and the valuation approaches in accordance with measurement categories for the Group's existing financial instruments according to IFRS 9.

			IFRS 9 valuation			IFRS 16 valuation	
	Measurement category according to IFRS 9	Book value as at 30.06.2019	Amortized costs (continued)	Fair value through equity	Fair value through profit and loss	Amortized costs (continued)	Fair value as at 30.06.2019
Financial assets							
Cash and cash equivalents	AC	41,601	41,601	0	0	0	41,601
Trade account receivables	AC	101,860	101,860	0	0	0	101,860
Other financial assets*	AC	5,460	5,460	0	0	0	5,460
Receivables from finance lease agreements	-	17,819	0	0	0	17,962	19,058
Other investments	FVtPL	743	0	743	0	0	743
Total financial assets		**167,483**	**148,921**	**743**	**0**	**17,962**	**168,722**
Financial liabilities							
Liabilities to banks	AC	321,849	321,849	0	0	0	323,152
Purchase price liabilities	AC	18,054	18,054	0	0	0	18,054
Trade payables	AC	39,798	39,798	0	0	0	39,798
Other financial liabilities	AC	26,627	26,627	0	0	0	26,627
Lease Liabilities	-	39,749	0	0	0	39,749	39,749
Total financial liabilities		**446,077**	**406,328**	**0**	**0**	**39,749**	**447,380**
Total per category							
Financial instruments at fair value through profit or loss	FVtPL	743	0	743	0	0	743
Amortized costs	AC	555,249	555,249	0	0	0	556,552

* Shown as other receivables in the previous year

Acquisitions and disposals of items of property plant and equipment

In the first six months of the financial year 2019, CompuGroup Medical SE acquired tangible assets with a total amount of 12.8 MEUR, of which 5.7 MEUR were additions from rights of use in accordance with IFRS 16.

Valuation of loan USA

The management decided through a resolution concerning the existing internal loan relationship between the CompuGroup Medical SE and the CompuGroup Holding Inc. to evaluate the US-loan according to IAS 21 section 15 for the current financial year. Thereby, the currency gain has been recognized with an amount of 587 TEUR under the other comprehensive income in the position currency conversion.

Related party transactions

The related party transactions are as follows:

	Sale of goods		Purchase of goods		Receivables		Liabilities	
EUR `000	30.06.2019	30.06.2018	30.06.2019	30.06.2018	30.06.2019	30.06.2018	30.06.2019	30.06.2018
Related Persons	73	27	196	193	0	0	195	0
Related Companies	818	681	1,308	818	245	118	111	444
Associated companies	1,449	1,419	15	2,076	593	4,052	21	1,331
TOTAL	2,340	2,127	1,519	3,087	838	4,170	327	1,775

Related companies:

The received deliveries and services include especially the business relationship to MW Office / Marketing und Werbung GmbH with an amount of 677 TEUR. These services are claimed in particular by CGM Deutschland AG and Intermedix Deutschland GmbH. The performed deliveries and services comprise especially mps public solution GmbH with an amount of 787 TEUR.

Associated Companies:

With Gotthardt Informationssysteme GmbH being reclassified from associated company to a fully consolidated company as of 01 January 2019, the received deliveries and services have decreased significantly compared to the previous year. The performed deliveries and services mainly include MGS Meine Gesundheit Services GmbH. Also receivables comprise especially MGS Meine Gesundheits-Services GmbH amounting to 520 TEUR. Due to full consolidation of Fablab S.r.l. and the resulting reclassification from the associated companies, both receivables and liabilities decreased significantly compared to the previous year.

All transaction with related parties have been concluded at market conditions.

Compliance with payment obligations and financial covenants

On the 22 June 2018 CGM entered into a new syndicated loan agreement with a bank consortium for a revolving loan facility (also referred to in the following as "RLF") in the amount of 400.0 MEUR. As a result, the existing syndicated loan agreement was terminated and repaid.

The syndicated loan facility has a duration of five years. The interest rate is based upon the EURIBOR rate for the interest period chosen plus a margin, which changes in accordance with the leverage ratio in contractually regulated levels. The interest rate for the second quarter of 2019 was 0.8 percent.

As of 30 June 2019, the RLF has been utilized to the tune of 290.2 MEUR.

In addition, loan commitment fees totaling 1.3 MEUR accrued, which will be charged as a financial expense over the term of the loan agreement. For this syndicated loan facility, no hedge has been concluded. The grant of the loan is linked to the compliance of one financial covenant (leverage ratio).

The loan agreement includes joint and several guarantees for payment by a number of CGM's German subsidiaries (contingent liability in case of non-payment of CompuGroup Medical SE).

During the ongoing financial year 2019, CGM has been and is compliant with all financial covenants in all of its loan agreements.

Contingent liabilities, guarantees and other commitments

During the fiscal year 2019, contigent liabilities, guarantees and other commitments did not change significatly compared to 31 December 2018.

Cash net income (non-IFRS)

	01.04.2019-30.06.2019	01.04.2018-30.06.2018 adjusted	01.01.2019-30.06.2019	01.01.2018-30.06.2018 adjusted	01.01.2018-31.12.2018 adjusted
Cash net income	**20,869**	**29,311**	**48,015**	**58,245**	**124,811**
Cash net income per share	**0.43**	**0.59**	**0.98**	**1.17**	**2.52**

Significant post balance sheet events

On 1 August 2019 the supervisory board of CompuGroup Medical SE agreed a settlement agreement of a leaving board member (see explanations).

Segment reporting

In accordance with IFRS 8 „Operating Segments" the activities of CompuGroup Medical SE are divided into operating segments for segment reporting purposes.

Following business segments form the basis of the segment reporting. The range of services offered by these four business segments, can be presented as follows:

- **AIS:** Development and distribution of practice software solutions as well as the provision of services for registered doctors, dentists and laboratories. In addition, Internet Service Providing services are provided to physicians and other healthcare participants.
- **PCS:** Development and distribution of software solutions as well as the provision of services for pharmacists.
- **HIS:** Development and distribution of hospital software solutions as well as the provision of services.
- **HCS:** Networking of service providers (doctors, dentists, hospitals and pharmacists) with other key market players in healthcare, such as payers, pharmaceutical companies and research institutions.

On the basis of the reporting system, the Executive Board, as the Chief Operating Decision Maker, evaluates the performance of the four reporting segments and makes decisions on the allocation of resources. For the evaluation and assessment of the business segments, the Management Board uses „Earnings before interest, tax, depreciation and amortization" (EBITDA) as key performance indicator, which thus represents the segment result.

Segment reporting

as at 30 June 2019

	Segment AIS Ambulatory Information Systems			Segment PCS Pharmacy Information Systems			Segment HIS Hospital Information Systems		
	2019	2018	2018	2019	2018	2018	2019	2018	2018
EUR `000	01.01. – 30.06.	01.01. – 30.06.	01.01. - 31.12	01.01. – 30.06.	01.01. – 30.06.	01.01. - 31.12	01.01. – 30.06.	01.01. – 30.06.	01.01. - 31.12
Sales to third parties	**231,159**	**236,165**	**461,862**	**55,703**	**52,928**	**113,391**	**53,735**	**47,874**	**101,262**
thereof Software license	13,862	19,652	36,876	2,876	2,822	5,648	4,833	5,067	10,799
thereof Hardware	34,303	41,367	82,851	10,650	9,608	25,594	2,872	1,248	3,677
thereof Professional Services	26,237	37,651	56,344	4,818	4,764	10,246	13,847	11,439	25,089
thereof Software Maintenance & hotline	112,376	105,071	213,973	16,834	16,050	32,423	26,204	24,850	50,912
thereof Other recurring revenues	42,308	28,600	65,385	18,794	18,032	36,338	5,914	5,014	10,249
thereof Adverting, eDetailing and Data	794	1,071	2,022	1,581	1,559	2,955	0	0	0
thereof Software Assisted Medicine	78	517	1,489	0	0	0	0	0	0
thereof Other revenue	1,201	2,236	2,922	150	94	187	65	257	536
Point in time of revenue recognition									
at a specific point in time	39,122	45,995	91,084	11,444	10,265	27,328	3,928	2,297	5,761
over a period of time	192,037	190,170	370,778	44,259	42,664	86,063	49,807	45,577	95,501
	231,159	**236,165**	**461,862**	**55,703**	**52,928**	**113,391**	**53,735**	**47,874**	**101,262**
Sales between segments	11,624	19,903	34,298	24,063	32,412	56,581	1,701	1,374	2,812
Segment Sales	**242,783**	**256,068**	**496,160**	**79,766**	**85,340**	**169,972**	**55,436**	**49,248**	**104,074**
thereof recurring sales	154,684	133,671	279,358	35,628	34,081	68,761	32,119	29,864	61,161
Capitalized inhouse services	4,601	4,744	8,581	0	0	0	4,989	4,229	8,531
Other income	5,480	1,214	3,614	1,429	326	1,110	1,465	1,261	3,012
Expenses for goods and services purchased	–60,426	–80,175	–146,846	–34,466	–41,172	–77,144	–9,485	–8,213	–17,884
Personnel costs	–75,297	–62,651	–129,080	–20,381	–20,290	–39,655	–33,341	–30,719	–63,608
Other expense	–38,507	–35,568	–73,739	–9,608	–10,290	–20,750	–13,724	–11,267	–22,516
EBITDA	78,634	83,632	158,690	16,740	13,914	33,533	5,340	4,540	11,609
in % of sales	34.0%	35.4%	34.4%	30.1%	26.3%	29.6%	9.9%	9.5%	11.5%
Depreciation of tangible assets									
Amortization of intangible assets									
EBIT									
Results from associates recognised at equity									
Financial income									
Financial expense									
EBT									
Taxes on income for the period									
Profit for the period from discontinued operations									
Consolidated net income for the period									
in % of sales									

Segment HCS Health Connectivity Services			All other Segments			Sum Segments			Consolidation			CGM Group		
2019	2018	2018	2019	adjusted 2018	adjusted 2018	2019	adjusted 2018	adjusted 2018	2019	2018	adjusted 2018	2019	adjusted 2018	adjusted 2018
01.01. – 30.06.	01.01. – 30.06.	01.01. - 31.12	01.01. – 30.06.	01.01. – 30.06.	01.01. - 31.12	01.01. – 30.06.	01.01. – 30.06.	01.01. - 31.12	01.01. – 30.06.	01.01. – 30.06.	01.01. - 31.12	01.01. – 30.06.	01.01. – 30.06.	01.01. - 31.12
21,167	**19,432**	**40,371**	**42**	**85**	**137**	**361,806**	**356,484**	**717,023**	**0**	**0**	**0**	**361,806**	**356,484**	**717,023**
598	254	276	0	0	0	22,169	27,794	53,599	0	0	0	22,169	27,794	53,599
–386	0	0	0	6	6	47,439	52,229	112,128	0	0	0	47,439	52,229	112,128
3,220	2,523	5,224	31	23	28	48,153	56,400	96,931	0	0	0	48,153	56,400	96,931
1,656	1,752	3,885	0	40	86	157,070	147,763	301,279	0	0	0	157,070	147,763	301,279
144	693	1,468	0	0	0	67,160	52,338	113,440	0	0	0	67,160	52,338	113,440
14,629	12,214	25,621	0	0	0	17,004	14,844	30,598	0	0	0	17,004	14,844	30,598
1,384	2,060	4,039	0	0	0	1,462	2,577	5,528	0	0	0	1,462	2,577	5,528
–78	–64	–142	11	16	17	1,349	2,539	3,520	0	0	0	1,349	2,539	3,520
–464	–64	–142	11	22	23	54,039	58,515	124,054	0	0	0	54,039	58,515	124,054
21,631	19,496	40,513	30	63	114	307,767	297,969	592,969	0	0	0	307,767	297,969	592,969
21,167	**19,432**	**40,371**	**41**	**85**	**137**	**361,806**	**356,484**	**717,023**	**0**	**–0**	**0**	**361,806**	**356,484**	**717,023**
2,537	2,561	5,406	8,901	5,904	13,189	48,826	62,155	112,286	–48,826	–62,155	–112,286	0	0	0
23,704	**21,993**	**45,777**	**8,943**	**5,989**	**13,326**	**410,632**	**418,639**	**829,309**	**–48,826**	**–62,155**	**–112,286**	**361,806**	**356,484**	**717,023**
1,800	2,445	5,354	0	40	86	224,231	200,101	414,720	0	0	0	224,231	200,101	414,720
0	0	0	208	504	1,400	9,799	9,476	18,512	320	0	0	10,119	9,476	18,512
1,882	167	496	25,650	20,917	41,803	35,906	23,885	50,035	–28,723	–20,835	–42,001	7,183	3,050	8,034
–7,304	–6,193	–13,608	–1,212	–1,248	–2,678	–112,893	–137,001	–258,160	45,059	58,542	106,732	–67,834	–78,458	–151,428
–7,366	–6,103	–12,438	–34,056	–16,523	–37,728	–170,441	–136,286	–282,509	–1,896	406	1,097	–172,337	–135,880	–281,413
–3,129	–3,289	–6,776	–24,907	–20,249	–44,220	–89,875	–80,663	–168,001	33,740	23,763	45,109	–56,135	–56,900	–122,892
7,787	6,575	13,451	–25,374	–14,630	–33,452	83,128	94,030	183,831	–326	–279	–1,349	82,802	97,772	187,836
36.8%	33.8%	33.3%				23.0%	26.4%	25.6%				22.9%	26.3%	25.4%
												–13,823	–5,572	–11,415
												–15,618	–15,632	–33,188
												53,361	76,568	143,233
												–1,173	–84	–293
												581	1,146	2,010
												–3,227	–6,837	–10,845
												49,542	70,793	134,105
												–14,881	–25,675	–37,763
												0	0	0
												34,661	**45,118**	**96,342**
												9.6%	11.9%	13.4%

Additional information

FINANCIAL CALENDAR 2019

Date	Event
18 September 2019	Investor and Analyst Conference
07 November 2019	Interim Report Q3 2019

SHARE INFORMATION

The share of CompuGroup finished the second quarter with a closing price of EUR 71.00. The average closing share price increased by 26.4 percent from EUR 48.22 (Q1/2019) to EUR 60.96 (Q2/2019).

The highest quoted price during the second quarter was EUR 71.05 on 28 June 2019 and the lowest price EUR 52.90 on 01 April 2019.

The trading volume of CompuGroup shares was 5.6 MEUR shares during the second quarter, up 31.4 percent compared to the previous quarter. On average, the daily trading volume was approximately 91,600 shares (daily average in 2018: approximately 71,500).

By the end of June 2019, a total of eight analyst companies were covering the CompuGroup Medical share on a regular basis. The forecast price targets ranged from EUR 53.00 to EUR 70.00. Two analysts rated the shares a "buy", one analyst as „sell", one as "outperform" and four analysts as "hold" or "neutral".

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Management Responsibility Statement

To the best of our knowledge, and in accordance with applicable accounting principles for interim financial reporting, the consolidated interim financial statements give a true and fair view of the net assets, financial position and results of operations of the Group, and the Group interim management report 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 over the remainder of the financial year.

Koblenz, 08 August 2019

CompuGroup Medical Societas Europaea
The Management Board

Frank Gotthardt	Frank Brecher	Uwe Eibich
Dr. Ralph Körfgen	Michael Rauch	Hannes Reichl

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