Interim Financial Report

2020

cegedim

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2020 Interim Financial Report

Certification by the person assuming responsibility for the half-year financial report

I hereby certify that, to the best of my knowledge, the condensed interim consolidated statements for the six first months have been prepared in accordance with applicable accounting standards and provide a true and fair view of the assets, financial position and profit or loss of the parent company and of all consolidated companies, and that the Interim Management Report gives a true and fair picture of the significant events during the first six months of the fiscal year and their impact on the financial statements, of the main related-party transactions, as well as a description of the main risks and uncertainties for the remaining six months of the fiscal year.

Boulogne-Billancourt, September 24, 2020

Jean-Claude Labrune, Chairman & CEO,

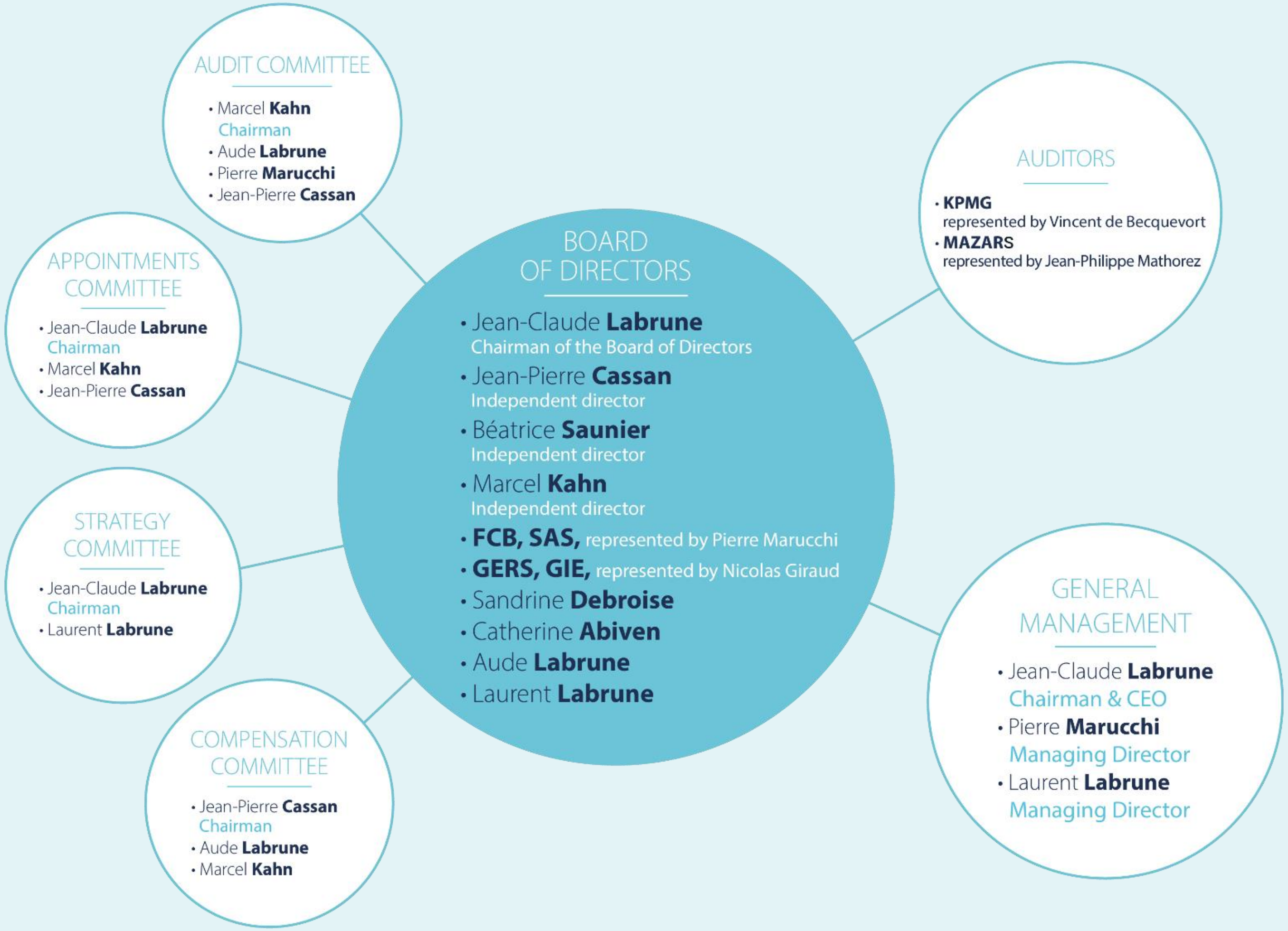
Cegedim SA

Contents

1 | Cegedim: The Big Picture

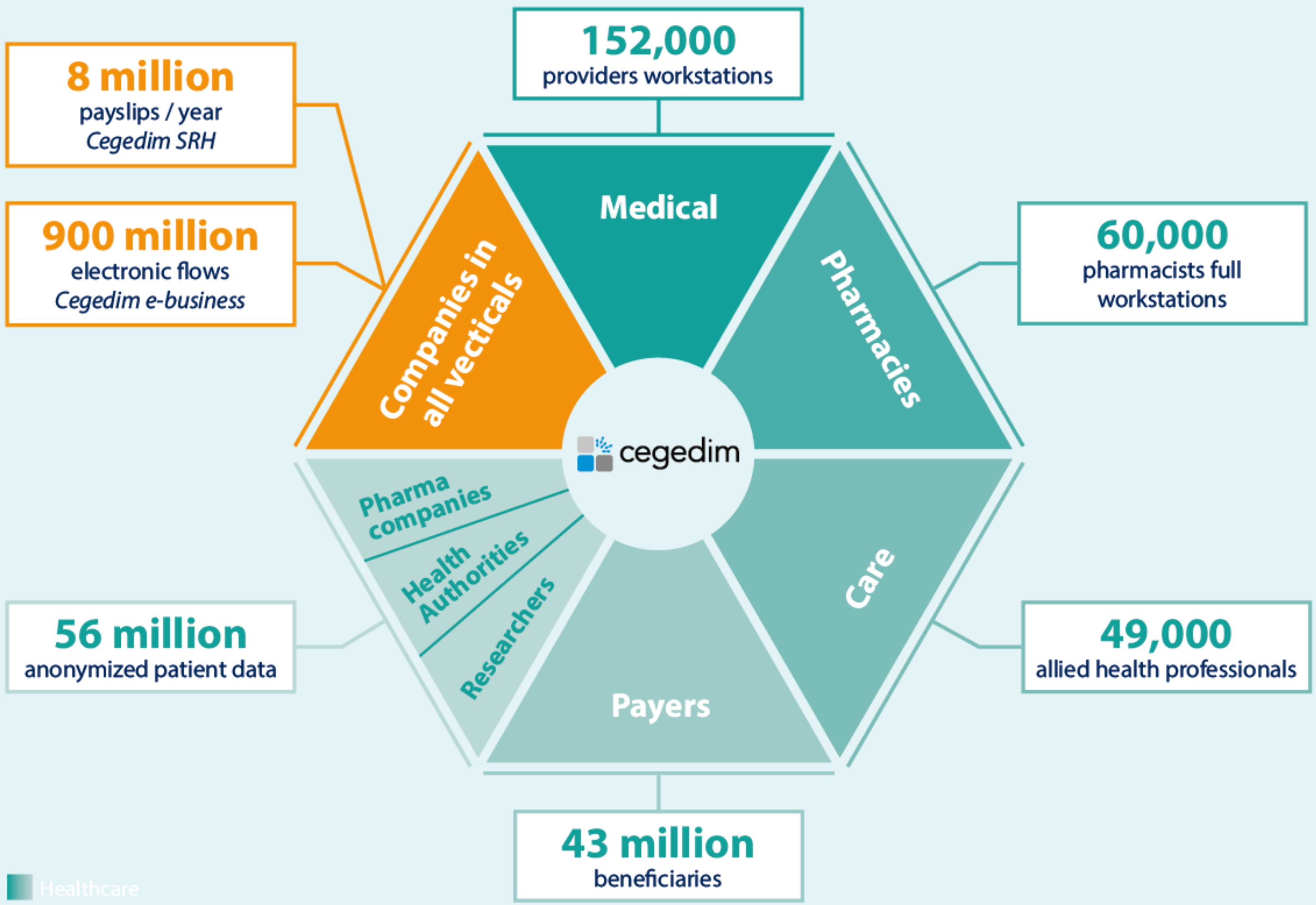
1.1 | Executives and supervisory bodies, statuary auditors

As of September 24, 2020



1.2 | Cegedim ecosystem

Cegedim: data, digital, and network technology experts. Cegedim specializes in healthcare sector and B2B digital data flow management, and in business software for healthcare and insurance professionals. The Group is also active in human resources management and digitization services for all types of industries.



Health insurance, HR & e-services

Cegedim Insurance solutions

Computerization of health insurers and mutuals
Cegedim Activ

International division
Activus (UK)

BPO (flows, electronic payment & management services) and Other services
Cetip
Cegedim Assurances conseil

Cegedim Health Data

Data and analytics for the healthcare market
THIN (UK, Italy, Germany)
GERS Data
Cegedim Customer Information (Romania)

HR

Outsourced payroll & Human Resources management
Cegedim SRH
Rue de la Paye
Cosytec

Digital

Health digital displays
Cegedim-Media
Futuramedia

e-promotion
MedExact

Cegedim e-business

Digitalization
SY by Cegedim
SY GN
SY Data
Careweb
BSV
Ximantix (Germany)
NetEDI (UK)

Other services

Critical application and health data hosting
Cegedim.cloud

Integration & services
Cegedim Outsourcing

Healthcare professionals

Software for pharmacists

Smart Rx
Cegedim Rx (UK)
Cegedim RX (Romania)

Software for allied health professionals

RM Ingénierie

Software for doctors

Cegedim Logiciels Médicaux
INPS (UK)
HDMP(Belgium)
Millennium (Italy)
Stacks (Spain)

Medication database

RESIP (BCB)

Telemedicine and appointment booking

Maiia

Corporate & others

Corporate support (France)

Cegedim Service Center (Romania)

Cegedim Egypt

Management of medical samples and promotional material

Pharmastock

1.3 | Operating performance by division as of June 30, 2020

Health insurance, HR & e-services	Healthcare professionals	Corporate & others
67.9% of consolidated H1-2020 revenues	**31.4%** of consolidated H1-2020 revenues	**0.7%** of consolidated H1-2020 revenues
€160.3m Revenue	**€74.1m** Revenue	**€1.7m** Revenue
(1.3)% | (2.7)% Growth rate(2) reported | LFL(1)	**(9.1)% | (2.2)%** Growth rate(2) reported | LFL(1)	**+0.3% | +0.3%** Growth rate(2) reported | LFL(1)
96% EUR · **3%** GBP · **1%** RoW Breakdown of revenue by currency	**70%** EUR · **27%** GBP · **3%** RoW Breakdown of revenue by currency	**100%** EUR · **-** GBP · **-** RoW Breakdown of revenue by currency
€4.1m Recurring operating income (REBIT)(1) **2.6%** REBIT(1) margin	**€3.0m** Recurring operating income (REBIT)(1) **4.1%** REBIT(1) margin	**€(0.9)m** Recurring operating income (REBIT)(1) **(49.3)%** REBIT(1) margin
3,195 Employees	**1,589** Employees	**382** Employees

(1) See Chapter 3 "Condensed consolidated interim financial statements", Section 3.6, Note 2 on Alternative performance indicators and Note 6 "Segment reporting".
(2) Compared with the same period last year
See more details on performance in Chapter 2 "Interim activity report ».

1.4 | A global presence

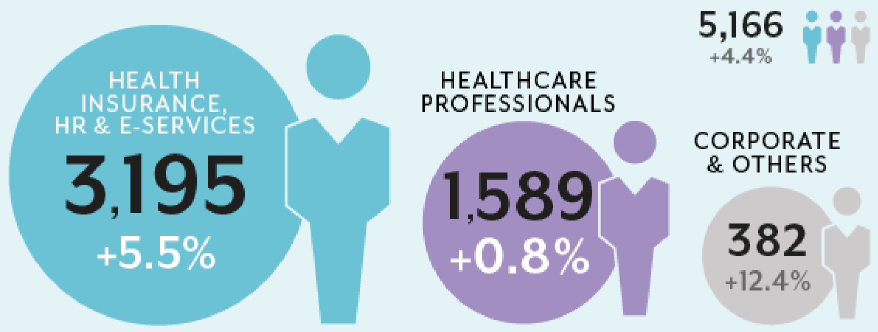
Cegedim generated revenue of €503.7 million in 2019 and has nearly 5,000 employees in more than 10 countries at December 31, 2019.

In the first half of 2020, Cegedim generated revenue of €236.2 million and has over 5,100 employees at June 30, 2020.

1.5 | Cegedim: Employees

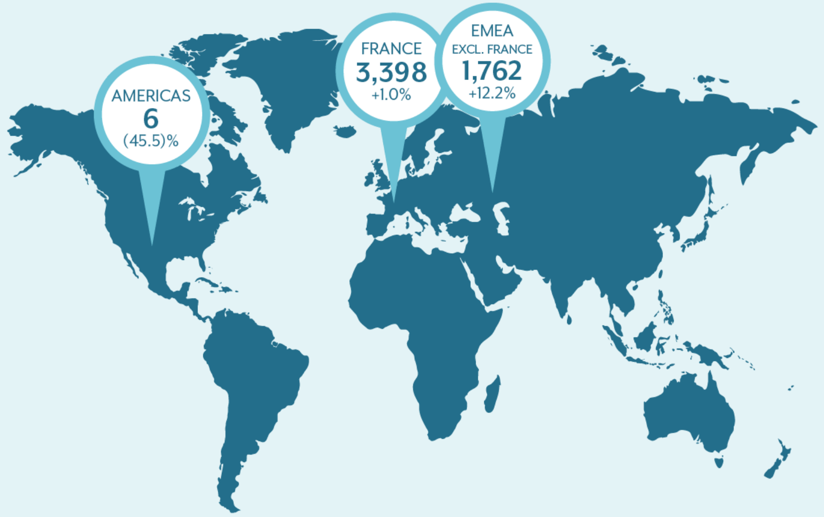
Employees by division

On June 30, 2020, the Cegedim Group employed 5,166 people worldwide. Thus, the total number of employees increased by 220 people, or 4.4%, compared to the end of December 2019 (4,946 people).



Employees by region

In August 2019, Cegedim announced that it had sold nearly all of the business activities of Pulse Systems Inc. Under the terms of the sale, many of Pulse's personnel were transferred to the buyer.



1.6 | Shareholder structure

Control of Cegedim

Cegedim is controlled by FCB and Jean-Claude Labrune.

Cegedim SA is the only Group company listed.

Cegedim is listed on Euronext (since 1995) and does not belong to another group.

FCB is a French public limited company (Société anonyme or SA) with a Supervisory Board and a Management Board and capital of €475.560m (registered in the Trade and Companies Register of Nanterre 340 651 132). The majority of its capital is held by Jean-Claude, Laurent and Aude Labrune. It is an active holding company.

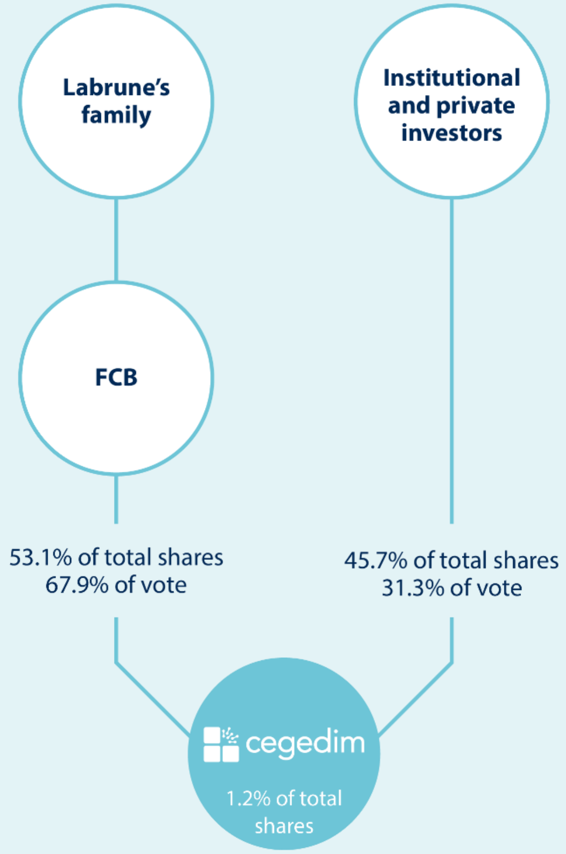
Cegedim own 1.2% treasury shares.

The latest reported changes in beneficial ownership are as follows:

February 6, 2020: FMR LLC (245 Summer Street, Boston, USA) crossed the 5% threshold of capital and voting rights with 7.87% of shares and 5.04% of voting rights.
It crossed the threshold as a result of acquiring Cegedim shares on the market.

Shareholder structure as of June 30, 2020

There was no significant change in the ownership structure between June 30, 2020, and the date of publication of this interim Financial Report.



1.7 | Stock market information

Stock market indicators

Cegedim is listed on Euronext Paris, compartment B.

ISIN code: FR0000053506

Reuters ticker: CGDM.PA

Bloomberg ticker: CGM

Cegedim's share price is available on the Company's website, Cegedim.com, subject to a short time delay.

Stock market performance over the past four years

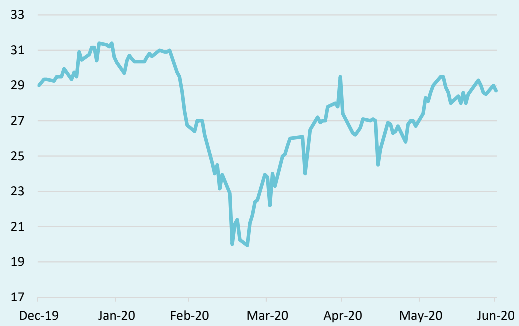
January - June		2017	2018	2019	2020
Closing price	€	30.40	33.60	26.90	28,70
Average for the period	€	27.15	37.63	25.04	27,49
High for the period	€	31.44	44.50	28.00	31,95
Low for the period	€	23.90	33.00	19.05	19,12
Market capitalization	€m	425.5	470.3	376.5	401,7
Outstanding shares	M	14.0M	14.0M	14.0M	14.0M

Stock market performance as of June 30, 2020

Cegedim shares' performance during the first half of 2020 was virtually stable.

The closing price at the end of June 2020 was €28.70, down a slight 1.0% over the period.

During H1 2020, the lowest price was €19.12 on March 23, 2020, and the highest price was €31.95 on January 24, 2020.



Financial Community Relations

Cegedim's financial communication policy is to deliver rapid, relevant, and timely information on the company's performance to investors and the market.

One key element of communication with the market is the publication of financial results, for example the annual and quarterly reports.

Cegedim organizes conference calls to coincide with its financial press releases. Cegedim has regular contact with institutional investors through meetings and roadshows in Europe and the US.

Financial reporting policy

Straightforward, transparent, and clear.

Sustained roadshow program

Cegedim also meets with investors during roadshows held in the major financial centers in Europe (Madrid, London, Paris, Geneva, Frankfort, Lyon) and the US.

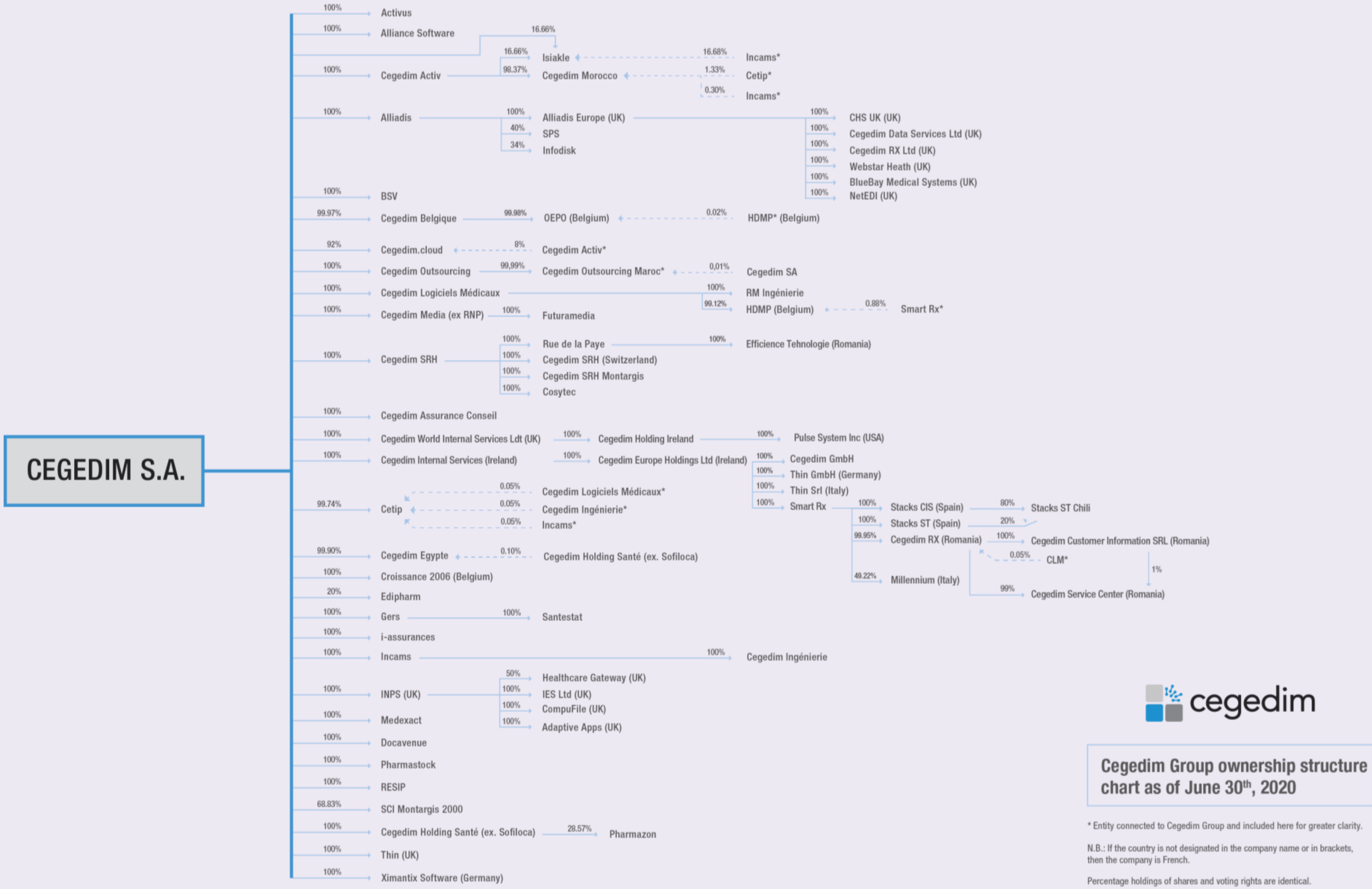
Provisional 2020 financial calendar

October 28, 2020: Q3 2020 revenue

December 15, 2020: Investor day

2 | Interim activity report

2.1 | Group structure as of June 30, 2020



2.2 | Interim period highlights

Apart from events related to the Covid-19 pandemic and those cited above, to the best of the company's knowledge, there were no post-closing events or changes that would materially alter the Group's financial situation.

Tax

On February 21, 2018, Cegedim SA received official notice that the French tax authorities planned to perform an audit of its financial statements for the period from January 1, 2015, to December 31, 2016. After consultation with its lawyers and based on ample precedent, the Group believes that the adjustment is unwarranted. By appealing the case, we were able to obtain tax relief that brings the maximum possible amount of back taxes owed at June 30, 2020, to €8.5 million (vs. €9 million). Regarding the other points of disagreement, the Group has decided to explore its options for recourse before requesting an appeal. Cegedim still believes that there is not enough risk with respect to past deferred tax assets or to tax loss carryforwards recorded on its balance sheet as of June 30, 2020, (corresponding to €20 million of deferred tax) to jeopardize their valuation.

2.3 | H1 2020 business review

Operational performance

€236.2m
Revenue
H1 2019: €245.8m
H1 2018: €227.6m

(3.9)%
reported
(2.5)%
like-for-like[1]
Growth rate[2]

6.3€
Recurring operating income (REBITI)[1]
H1 2019: 12.6m€
H1 2018: 11.9m€

(50.1)%
Growth rate[2]

2.7%
REBITI margin[1]
ROI[1] on Groupe consolidated revenue
H1 2019: 5.1%
H1 2018: 5.2%

(247) bp
Change[2]

€(0.3)
EPS
H1 2019: €(0.7)
H1 2018: +€0.0

(54.1)%
Growth rate[2]

Consolidated P&L

In € million	**06/30/2020**	**06/30/2019**	**Change %**	**Change €m**
Revenue	**236.2**	**245.8**	**(3.9)%**	**(9.6)**
Purchase used	(12.0)	(15.3)	(21.1)%	(3.2)
External expenses	*(51.9)*	*(55.7)*	*(6.8)%*	*(3.8)*
Payroll costs	(127.9)	(124.6)	+2.6%	3.3
Others operating income and expenses	(6.1)	(4.7)	+29.0%	+1.4
EBITDA[1]	**38.2**	**45.5**	**(15.9)%**	**(7.2)**
EBITDA margin[1]	*16.2%*	*18.5%*	*(231)bps*	
Amortization and depreciation	(31.9)	(32.8)	(2.7)%	(0.9)
Recurring operating income[1]	**6.3**	**12.6**	**(50.1)%**	**(6.3)**
Recurring operating margin[1]	*2.7%*	*5.1%*	*(247)bps*	
Other non-recurring operating income and expenses[1]	*(6.2)*	*(16.3)*	*(62.1)%*	*(10.1)*
Operating income	***0.1***	***(3.6)***	***n.m.***	***+3.8***
Operating margin	*0.1%*	*(1.5)%*	*+154bp*	
Cost of net financial debt	*(4.6)*	*(4.5)*	*+2.4%*	*+0.1*
Total taxes	*(0.2)*	*(2.1)*	*(89.8)%*	*(1.9)*
Profit (loss)	*(4.6)*	*(10.2)*	*(54.5)%*	*+5.6*
Net profit attributable to owners of the parent	***(4.7)***	***(10.2)***	***(54.2)%***	***+5.5***

(1) See Chapter 3 "Condensed consolidated interim financial statements", Section 3.6, Note 2 on Alternative performance indicators and Note 6 "Segment reporting". (2) Compared with the same period a year ago.

2.3.1 | Comments on the consolidated P&L

Revenue

€236.2m

Growth rate

(3.9)% reported

(2.5)% LFL(1)

Revenue decreased by €9.6 million or 3.9%, to €236.2 million in the first half of 2020 compared to €245.8 million in the first half of 2019.

The €3.4 million hit from scope effects, or 1.4pp, was chiefly due to the sale of nearly all of the business activities of Pulse Systems Inc. in the US in August 2019, which was partly offset by the acquisitions of Cosytec in France in July 2019 and NetEDI in the UK in August 2019.

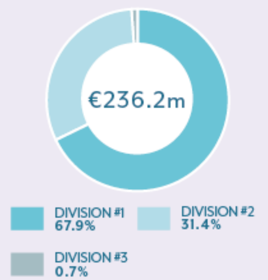
Currencies had virtually no impact.

Like-for-like(1) revenues fell 2.5% over the period. Health insurance, HR and e-services division revenues fell 2.7% like for like(1), and those of the Healthcare professionals division, 2.2%.

Breakdown by division

Changes in the contributions were as follows:

- The Health Insurance, HR and e-business division increased by 1.8 points to 67.9%;
- The Healthcare professionals division decreased by 1.8 points to 31.4%;
- The Corporate and Others division remained stable at 0.7%.

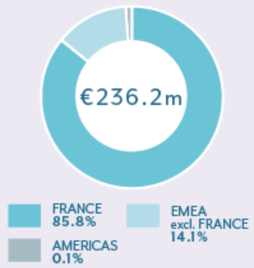


Division 1: Health Insurance, HR and e-business;
Division 2: Healthcare professionals;
Division 3: Corporate and others

Breakdown by geographic region

The relative contribution of:

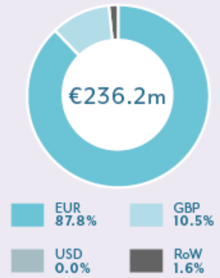
- France climbed 1.3 points to 85.8%;
- EMEA (excluding France) climbed 0.9 points to 14.1%;
- The Americas fell 2.2 points to 0.1%(2).



Breakdown by currency

The breakdown of revenue changed only marginally compared with the previous year:

- The euro climbed by 1.5 points to 87.8%;
- The British pound climbed 0.7 points to 10.5%;
- the US dollar fell 2.2 points to 0.0%(2);
- The other currencies remained relatively stable at 1.6%.



(1) See Chapter 3 "Condensed consolidated interim financial statements", Section 3.6, Note 2 on Alternative performance indicators and Note 6 "Segment reporting".

(2) In August 2019, Cegedim announced that it had sold nearly all of the business activities of Pulse Systems Inc.

Purchases used

€12.0m

as % of revenues

5.1% in H1 2020

6.2% in H1 2019

Purchases used decreased by €3.2 million, or 21.1 %, to €12.0 million in H1 2020 compared to €15.3 million in H1 2019. Purchases used represented 5.1% of revenue in the first half of 2020, compared with 6.2% in the first half of 2019. This decrease resulted from a drop in business caused by the lockdown in Europe in the first half.

External expenses

€51.9m

as % of revenues

22.0% in H1 2020

22.7% in H1 2019

External expenses decreased by €3.8 million, or 6.8%, to €51.9 million in H1 2020, compared with €55.7 million in H1 2019. External expenses represented 22.0% of revenue in the first half of 2019, compared with 22.7% in the first half of 2019.

This decrease resulted chiefly from a drop in the cost of travel, off-site assignments, office reception, and outsourcing owing to the Covid-19 pandemic and the lockdown in Europe. Sales and marketing efforts were also postponed or cancelled. Lastly, we focused specifically on nonessential overhead costs.

Payroll costs

€129.7m

as % of revenues

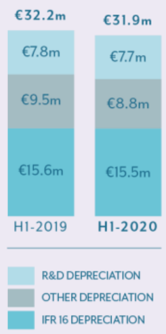
54.1% in H1 2020

50.7% in H1 2019

Payroll costs increased by €3.3 million, or 2.6%, to €127.9 million in H1 2020, compared to €124.6 million in H1 2019. Payroll costs represented 54.1% of revenue in the first half of 2020, compared to 50.7% in the first half of 2019. We were able to limit this increase by postponing most of the hires initially planned for the first half. The Group also encouraged employees to take as much paid leave as possible during the lockdown, which lowered the provision for paid leave. The partial unemployment mechanism was used in certain cases, which allowed us to take advantage of related government support measures. Most hires were related to the development of Maiia (formerly Docavenue), offshore R&D centers, and BPO offerings.

Depreciation and amortization expenses

€31.9m



Depreciation and amortization expenses decreased by €0.9 million, or 2.7 %, to €31.9 million in H1 2020, compared to €32.8 million in H1 2019.
The amortization of capitalized R&D expenses over the period was virtually stable, with €15.5 million in H1 2020 compared with 15.6 million in H1 2019, as was the amortization related to lease contracts (IFRS 16), which amounted to €7.7 million in H1 2020 compared to €7.8 million in H1 2019. Other depreciation decreased by €0.8 million, or 8.0%, to €8.8 million in H1 2020 compared to 9.5 million in H1 2019.

Operating income

€0.1m

as % of revenues

0.1% in H1 2020

(1.5)% in H1 2019

Operating income increased by €3.8 million to a profit of €0.1 million in H1 2020, compared with a loss of €3.6 million in H1 2019. The June 2020 figure represented 0.1% of revenue, compared with 1.5% at June 30, 2019.

The increase reflected trends in revenue, purchases used, external expenses, payroll costs, and depreciation and amortization expenses (for more details, see above).

Other non-recurring operating income and expenses[1]

€6.2m

Other non-recurring operating income and expenses[1] amounted to a charge of €6.2 million in H1 2020 compared with a charge of €16.3 million in H1 2019. Most of the yoy decrease is attributable to "Provisions for intangible asset obsolescence". The 2020 figure is largely attributable to a €4.3 million impairment for certain intangible assets of the UK doctor software business stemming from previous acquisitions, and much of the 2019 figure is attributable to the sale of nearly all of the business activities of *Pulse Systems Inc*, which resulted in a €14.9 million charge.

Breakdown by type

In € million	**06/30/2020**	**06/30/2019**
Amortization charge for intangible mature assets	(4.0)	(14.8)
Restructuring costs	(0.8)	(1.2)
Sale of activity	(1.3)	(0.2)
Other non-recurring income and expenses	**(6.2)**	**(16.3)**
Other non-recurring operating income and expenses [1]	(4.0)	(14.8)

Breakdown by division

In € million	**06/30/2020**	**06/30/2019**
Health insurance, HR and e-services	(0.8)	(1.0)
Healthcare professionals	(4.2)	(15.1)
Corporate and others	(1.2)	(0.2)
Other non-recurring operating income and expenses [1]	**(6.2)**	**(16.3)**

(1) See Chapter 3 "Condensed consolidated interim financial statements", Section 3.6, Note 2 on Alternative performance indicators and Note 6 "Segment reporting".

Recurring operating income[1]

€6.3m

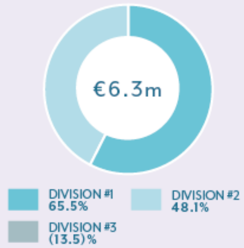
as % of revenues

2.7% in H1 2020

5.1% in H1 2019

Recurring operating income[1] decreased by €6.3 million, or 50.1% to €6.3 million in H1 2020, compared to €12.6 million in H1 2019. The June 2020 figure represented 2.7% of revenue, compared with 5.1% in June 2019.
This decrease in recurring operating income[1] was due to the €3.8 million increase in operating income more than offset by the €10.1 million decrease in Other non-recurring operating income and expenses[1].

Breakdown by division



The *Health insurance, HR and e-services* division and *Healthcare professionals* division generated respectively 65.5% and 48.1% of recurring operating income[1], The *Corporate and others* division contributed an operating loss equivalent to 13.5%.

Division 1: Health insurance, HR and e-services
Division 2: Healthcare professionals
Division 3: Corporate and others

EBITDA[1]

€38.2m

as % of revenues[1]

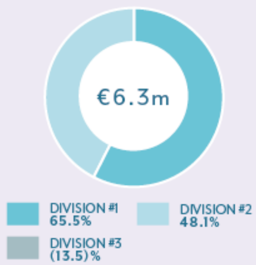
16.2% in H1 2020

18.5% in H1 2019

EBITDA[1] decreased by €7.2 million, or 15.9%, to €38.2 million in H1 2020, compared with €45.5 million in H1 2019. EBITDA represented 16.2% of consolidated revenue in June 2020, compared with 18.5% in June 2019.

This decrease in EBITDA[1] was due to the €6.3 million decrease in recurring operating income[1], and to €0.9 million in amortization and depreciation expenses.

Breakdown by division



The *Health insurance, HR and e-services* division, the *Healthcare professionals* division and the *Corporate and others* division contributed respectively 57.6%, 30.6% and 11.9% of consolidated EBITDA[1].
See "Analysis of the financial position by division".

Division 1: Health insurance, HR and e-services
Division 2: Healthcare professionals
Division 3: Corporate and others

Cost of net financial debt

€4.6m

Cost of net financial debt remained relatively stable at €4.6 million in H1 2020, compared with €4.5 million in H1 2019. The June 2020 figures represented 1.9% of revenue compared to 1.8% in June 2019. This stability reflects the debt structure and reduced use of the revolving credit facility (RCF).

(1) See Chapter 3 "Condensed consolidated interim financial statements", Section 3.6, Note 2 on Alternative performance indicators and Note 6 "Segment reporting".

Tax expense **€0.2m**	**Tax expenses** came to a charge of €0.2 million in H1 2020 compared with a charge of €2.1 million in H1 2019, down €1.9 million or 89.8%. This change was principally the result of a decrease in taxes at the Group level and from a positive adjustment in deferred tax assets.
Consolidated net profit **€(4.6)m**	**Consolidated net profit** came to a loss of €4.6 million in H1 2020 compared with a loss of €10.2 million in H1 2019. This €5.6 million increase in consolidated net profit reflected trends in revenue, operating income, other non-recurring operating income and expenses[(1)], cost of net financial debt, and tax expense (for more details, see above).
Consolidated net profit attributable to the Group **€(4.7)m**	After taking into account minority interests, the **consolidated net profit attributable to the Group** amounted to a loss of €4.7 million in H1 2020, compared with loss of €0.2 million in H1 2019. **Recurring net profit per share[(1)]** came to a loss of €0.3 in H1 2020 compared to a loss of €0.7 in H1 2019. **Earnings per share** came to a loss of €0.2 in H1 2020 compared with a loss of €0.4 a year earlier.

(1) See Chapter 3 "Condensed consolidated interim financial statements", Section 3.6, Note 2 on Alternative performance indicators and Note 6 "Segment reporting".

2.3.1.1 | Health insurance, HR and e-services division

€160.3m
Revenue
H1 2018: €162.5m
H1 2017: €149.5m

(1.3)%
reported
(2.7)%
Like-for-like[1]
Growth rate[2]

In € million	06/30/2020	06/30/2019	Change %	Change €m
Revenue	160.3	162.5	(1.3)%	(2.2)
EBITDA[1]	22.0	26.7	(17.4)%	(4.7)
EBITDA margin[1]	*13.7%*	*16.4%*	*(268) bp*	-
Depreciation	17.9	16.0	+11.9%	+1.9
Recurring operating income[1]	4.1	10.7	(61.3)%	(6.6)
Recurring operating margin[1]	*2.6%*	*6.6%*	*(400) bps*	-
Other non-recurring operating income and expenses[1]	(0.8)	(1.0)	(22.6)%	(0.2)
Operating income	3.4	9.7	(65.3)%	(6.3)
Operating margin	*2.1%*	*6.0%*	*(387) bp*	-

€4.1m
Recurring operating income (REBIT)[1]
H1 2018: €10.7m
H1 2017: €13.4m

(61.3)%
Growth rate[2]

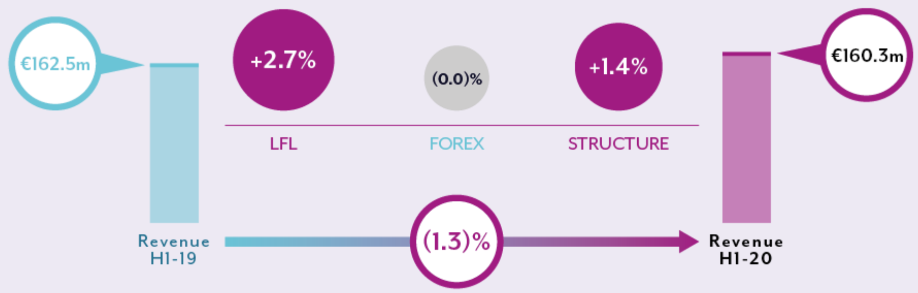
2.6%
REBIT[1] margin
H1 2018: 6.6%
H1 2017: 9.0%

(400) bp
Change[2]

67.9%
% of Group consolidated revenue

3,195
Employees

Revenue Change



(1) See Chapter 3 "Condensed consolidated interim financial statements", Section 3.6, Note 2 on Alternative performance indicators and Note 6 "Segment reporting".
(2) Compared with the same period a year ago.

Revenue

€160.3m

Growth rate

(1.3)% reported

(2.7)% LFL(1)

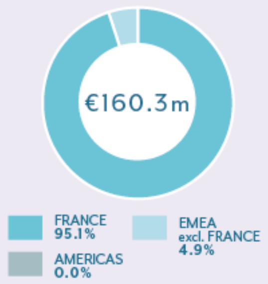
Revenue from **Health insurance, HR and e-services** decreased by €2.2 million, or 1.3%, to €160.3 million in the first half of 2020, compared to €162.5 million in the first half of 2019.

The H1 performance was chiefly attributable to the drop in second-quarter business at Cegedim-Media (communication solutions for pharmacies, including digital solutions) and to the decreased volume of third-party healthcare payments. That performance was partly offset by the expansion of health insurance sector BPO activities and business growth at Cegedim SRH (HR management solutions), Cegedim e-business (document and process digitization), and Cegedim Health Data (healthcare sector data and analytics).

The acquisitions of NetEDI and Cosytec made a positive contribution of 1.4pp to Group consolidated revenue growth in second quarter and first half 2020. Currencies had virtually no impact on first-half 2020 figures.

Like-for-like(1) revenues fell 2.7% over the period.

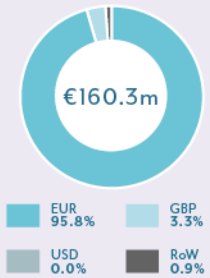
Breakdown by geographic region



By geographic region, the contribution of:

- France fell by 1.1 point to 95.1%;
- EMEA (excluding France) climbed by 1.1 points to 4.9%.

Breakdown by currency



By currency, the breakdown has changed only marginally since the previous year:

- The euro's contribution fell by 1.1 points to 96.8%;
- The British pound's climbed by 1.1 points to 3.3%;
- Other currencies were stable at 0.9%.

Recurring operating income(1)

€4.1m

as % of revenue(1)

2.6% in H1 2020

6.6% in H1 2019

Recurring operating income(1) decreased by €6.6 million, or 61.3%, to €4.1 million in the first half of 2020, compared with €10.7 million in H1 2019. It represented 2.6% of consolidated revenue at June 2020, compared with 6.6% at June 2019.

Business activities in the insurance sector at **Cegedim e-business** (document digitization and data exchange) were hurt in the first half by difficulties winning new clients and by delays affecting certain long, complex projects involving substantial change management activities at clients' sites. In third-party payments and outsourced management services for insurance companies and mutual insurers (**IGestion**), business volumes declined significantly and are still not back to where they were before the Covid-19 crisis. **Cegedim-Media** (conventional and digital signage solutions for pharmacies) suspended all activity for one month but resumed once the lockdown was lifted.

Conversely, **Cegedim SRH** (HR management solutions) made a positive contribution to profitability owing, for example, to a surge in ad hoc services related to clients implementing partial unemployment measures.

(1) See Chapter 3 "Condensed consolidated interim financial statements", Section 3.6, Note 2 on Alternative performance indicators and Note 6 "Segment reporting".

Depreciation amortization expenses **€17.9m**	Growth rate **+11.9%**	**Depreciation and amortization expenses** increased by €1.9 million, or 11.9% to €17.9 million in H1 2020, compared with €16.0 million in H1 2019. This upswing chiefly reflects increases of: – €1.2 million in amortization excluding R&D and IFRS 16, which amounted to €4.4 million in the first half of 2020 compared with €3.2 million in the first half of 2019; – €0.8 million in R&D amortization, which amounted to €10.2 million in the first half of 2020 compared with €9.4 million in the first half of 2019.
EBITDA(1) **€22.0m**	as % of revenues(1) **13.7%** in H1 2020 **16.4%** in H1 2019	**EBITDA(1)** decreased by €4.7 million, or 17.4%, to €22.0 million at June 30, 2020, compared with €26.7 million at June 30, 2019. The June 2020 figure represented 13.7% of revenue, compared with 16.4% in June 2019. This decrease in EBITDA(1) reflects the €6.6 million decrease in recurring operating income(1) and the €1.9 million rise in amortization and depreciation expenses.

(1) See Chapter 3 "Condensed consolidated interim financial statements", Section 3.6, Note 2 on Alternative performance indicators and Note 6 "Segment reporting".

2.3.1.2 | Healthcare professionals division

€74.1m
Revenue
H1 2019: €81.6m
H1 2018: €76.2m

(9.1)%
reported
(2.2)%
Like-for-like[1]
Growth rate[2]

€3.0m
Recurring operating income (REBIT)[1]
H1 2019: €2.9m
H1 2018: €(0.9)m

+2.7%
Growth rate[2]

4.1%
REBIT[1] margin
H1 2019: 3.6%
H1 2018: (1.2)%

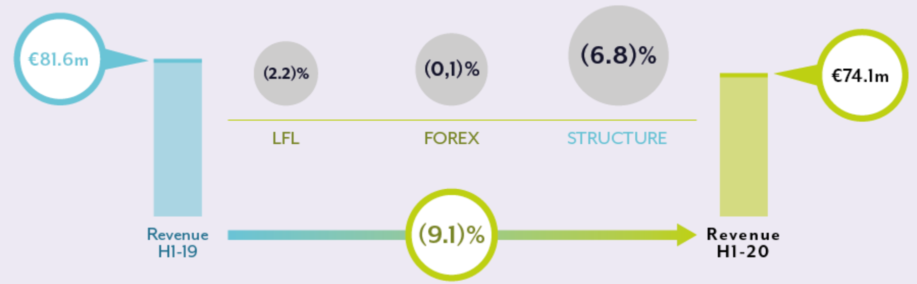
+47 bp
Change[2]

31.4%
% of Group consolidated revenue

1,589
Employees

In € million	**06/30/2020**	**06/30/2019**	**Change %**	**Change €m**
Revenue	74.1	81.6	(9.1)%	(7.4)
EBITDA[1]	11.7	14.9	(21.5)%	(3.2)
EBITDA margin[1]	*15.8%*	*18.3%*	*(248) bp*	-
Depreciation	8.7	11.9	(27.4)%	(3.3)
Recurring operating income[1]	3.0	2.9	+2.7%	+0.1
Recurring operating margin[1]	*4.1%*	*3.6%*	*+47 bp*	-
Other non-recurring operating income and expenses[1]	(4.2)	(15.1)	(72.5)%	(11.0)
Operating income	(1.1)	(12.2)	(90.7)%	(11.0)
Operating margin	*(1.5)%*	*(14.9)%*	*+1,341 bp*	-

Revenue Change



(1 See Chapter 3 "Condensed consolidated interim financial statements", Section 3.6, Note 2 on Alternative performance indicators and Note 6 "Segment reporting".
(2) Compared with the same period a year ago.

Revenue

€74.1m

Growth rate

(9.1)% reported

(2.2)% LFL[1)]

Revenue for the **Healthcare professionals** division decreased by €7.4 million, or 9.1%, to €74.1 million in the first-half of 2020, compared with €81.6 million in the first half of 2019.

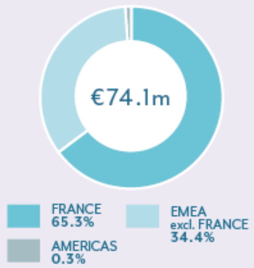
The 6.8pp hit from scope effects 5.6 million, and the 6.8pp hit in the first half, or €5.6 million, was chiefly due to the sale of nearly all of the business activities of *Pulse Systems Inc.* in August 2019.

The first-half performance reflects growth in the first quarter, offset by the negative second-quarter impact of lockdowns on activity related to pharmacy businesses in France and the UK. The appointment scheduling and teleconsultation business, Maiia, has experienced very brisk growth, as have RESIP (BCB medication database) and RM Ingénierie (allied health professional computerization in France).

Currency translation had a positive impact of 0.1 percentage points.

Like-for-like[(1)] revenues fell 2.2%.

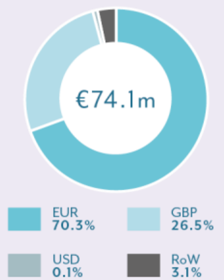
Breakdown by geographic region



By geographic region, the contribution of:

- France climbed by 4.6 points to 65.3%;
- EMEA (excluding France) climbed by 2.1 points to 34.4%;
- The Americas fell by 6.7 points to 0.3%[(2)].

Breakdown by currency



By currency:

- The euro climbed by 5.2 points to 70.3%;
- The British pound climbed by 1.2 points at 26.5%;
- Other currencies climbed by 0.4 point to 3.1%;
- The US dollar fell by 6.7 points to 0.1%[(2)].

Recurring operating income[(1)]

€3.0m

as % of revenues[(1)]

4.1% in H1 2020

3.6% in H1 2019

Recurring operating income[(1)] increased by €0.1. million, or 2.7%, to €3.0 million in H1 2020, compared with €2.9 million in H1 2019. It represented 4.1% of consolidated revenue at June 2020, compared with 3.6% at June 2019.

This increase in recurring operating income[(1)] is chiefly attributable to the sale of nearly all of the business activities of Pulse Systems Inc. in August 2019 (which generated a €2.8 million recurring operating loss in H1 2019), to the virtual stability of the division's recurring business, and to growth at: RESIP (BCB medication database), RM Ingénierie (allied health professional computerization in France), and the doctor software business in the UK. This performance was partially offset by costs at Maiia (online appointment scheduling and telemedicine), whose strong H1 growth will have a positive impact starting in the second half, and by a steep slowdown in sales and marketing activities, as placing orders was clearly not clients' top priority during the period. This was notably the case for the pharmacist software business in France, which had to postpone the release of new features until the end of the year. The doctor software business in the UK was hit by yet another delay in the calendar set by health authorities for the launch of new offerings.

(1) See Chapter 3 "Condensed consolidated interim financial statements", Section 3.6, Note 2 on Alternative performance indicators and Note 6 "Segment reporting".
(2) In August 2019, Cegedim announced that it had sold nearly all of the business activities of Pulse Systems Inc.

Depreciation and amortization expenses **€8.7m**	Growth rate **(27.4)%**	**Depreciation and amortization expenses** decreased by €3.3 million, or 27.4% to €8.7 million in H1 2020, compared with €11.9 million in H1 2019. The increase was mainly attributable to: – the €2.1 million increase in amortization excluding capitalized R&D expenses and IFRS 16 over the period, which amounted to €1.8 million in H1 2020 compared with €3.8 million in H1 2019 – the €0.9 million increase in the amortization of capitalized R&D expenses over the period, which amounted to €5.0 million in H1 2020 compared with €5.8 million in H1 2019.
EBITDA[(1)] **€11.7m**	as % of revenue[(1)] **15.8%** in H1 2020 **18.3%** in H1 2019	**EBITDA[(1)]** decreased by €3.2 million, or 21.5%, to €11.7 million at June 2020, compared with €14.9 million at June 2019. The June 2020 figure represented 15.8% of revenue, compared with 18.3% at June 2019. This decrease in EBITDA[(1)] reflects the stability of recurring operating income[(1)] and the €3.3 million decrease in amortization and depreciation expenses.
Other recurring operating income and expenses[(1)] **€4.2m**	Growth rate **(72.5)%**	**Other non-recurring operating income and expenses**[(1)] decreased by €11.0 million to €4.2 million in H1 2020 compared with €15.1 million in H1 2019. Most of the yoy decrease is attributable to "Provisions for intangible asset obsolescence". The 2020 figure is largely attributable to a €4.3 million impairment for certain intangible assets of the UK doctor software business stemming from previous acquisitions, and much of the 2019 figure is attributable to the sale of nearly all of the business activities of *Pulse Systems Inc.*, which resulted in a €14.9 million charge.

(1) See Chapter 3 "Condensed consolidated interim financial statements", Section 3.6, Note 2 on Alternative performance indicators and Note 6 "Segment reporting".

2.3.1.3 | Corporate and others division

€1.7m
Revenue
H1 2019: €1.7m
H1 2018: €1.9m

+0.3%
reported
+0.3%
Like-for-like[1]
Growth rate[2]

€(0.9)m
Recurring operating income (REBIT)[1]
H1 2018: €(1.0)m
H1 2017: €(0.6)m

(13.3)%
Growth rate[2]

(49.3)%
REBIT[1] margin
H1 2018: (57.0)%
H1 2017: (29.0)%

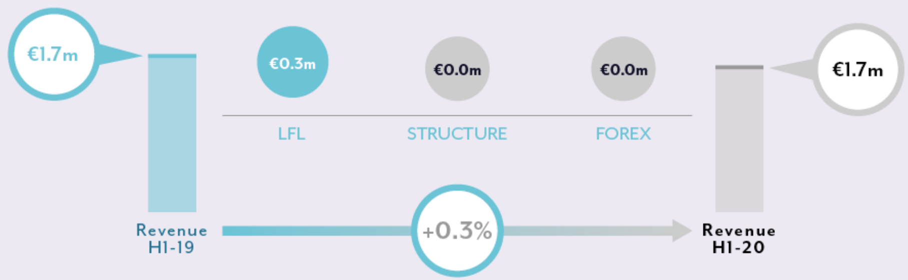
+771 bp
Change[2]

0.7%
% of Group consolidated revenue

382
Employees

In € million	**06/30/2020**	**06/30/2019**	**Change %**	**Change €m**
Revenue	1.7	1.7	+0.3%	+0.0
EBITDA[1]	4.5	3.9	+15.9%	+0.6
EBITDA margin[1]	*262.2%*	*226.9%*	*3,526 bp*	-
Depreciation	(5.4)	(4.9)	+10.0%	+0.5
Recurring operating income[1]	(0.9)	(1.0)	(13.3)%	(0.1)
Recurring operating margin[1]	*(49.3)%*	*(57.0)%*	*+771 bp*	-
Other non-recurring operating income and expenses[1]	(1.2)	(0.2)	+622.9%	+1.1
Operating income	(2.1)	(1.2)	(81.6)%	(0.9)
Operating margin	*(121.2)%*	*(67.0)%*	*(5,426) bp*	-

Revenue Change

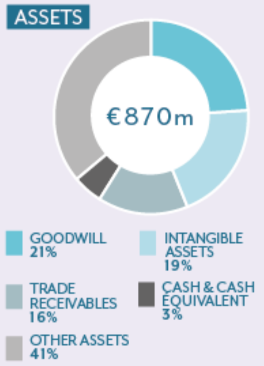


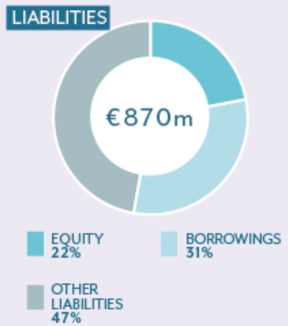
(1) See Chapter 3 "Condensed consolidated interim financial statements", Section 3.6, Note 2 on Alternative performance indicators and Note 6 "Segment reporting".
(2) Compared with the same period a year ago.

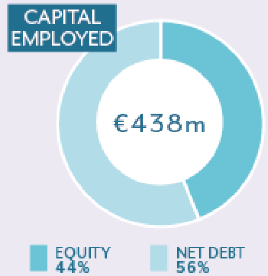
Revenue **€1.7m**	Growth rate **+0.3%** reported **+0.3%** LFL[1]	**Revenue** for the **Corporate and others division** remained relatively stable at €1.7 million in the first-half of 2020, compared with €1.7 million for the first-half of 2019. There were no divestments or acquisitions and there was no impact from foreign currency translation.
Recurring operating income[1] **€(0.9)m**	as % of revenues[1] **n.m.** in H1 2020 **n.m.** in H1 2019	**Recurring operating income[1]** remained relatively stable at a loss of €0.9 million in H1 2020, compared with a €1.0 million loss in H1 2019.
Depreciation and amortization expenses **€5.4m**	Growth **+10.0%**	**Depreciation and amortization expenses** increased by €0.5 million, or 10.0% to €5.4 million in H1 2020, compared with €4.9 million in H1 2019.
EBITDA[1] **€4.5m**	as % of revenues[1] **n.m.** in H1 2020 **n.m.** in H1 2019	**EBITDA[1]** increased by €0.6 million, or 15.9%, to €4.5 million at June 2020, compared with €3.9 million at June 2019.
Other non-recurring operating income and expenses[1] **€1.2m**	Growth **n.m.**	**Other non-recurring operating income and expenses**[1] increased by €1.1 million to a charge of €1.2 million in H1 2020 compared with a charge of €0.2 million in H1 2019. This increase is mainly attributable to €0.9 million of write-downs of receivables related to the divestment of CRM activities in 2015.

(1) See Chapter 3 "Condensed consolidated interim financial statements", Section 3.6, Note 2 on Alternative performance indicators and Note 6 "Segment reporting".

2.3.2 | Financial structure as of June 30, 2020







In € million	Note	06/30/2020	12/31/2019	Change %
Assets				
Goodwill		186.0	192.7	(3.5)%
Intangible fixed assets		163.9	157.5	+4.1%
Tangible assets	a	102.7	99.2	+3.6%
Financial assets	b	22.0	19.8	+11.5%
Other non-current assets	c	48.4	47.6	+1.7%
Total non-current assets		**523.2**	**516.8**	**+1.2%**
Trade receivables – short-term portion		139.5	144.0	(3.1)%
Cash & cash equivalents		26.1	29.1	(10.1)%
Other current assets		181.2	118.7	+52.6%
Total current assets		**346.8**	**291.8**	**+18.9%**
Total assets		**870.0**	**808.6**	**+7.6%**
Liabilities				
Long-term financial debt	d	196.3	195.7	+0.3%
Other non-current liabilities	e	101.6	95.2	+6.8%
Total non-current liabilities		**297.9**	**290.8**	**+2.4%**
Short-term financial debt	d	6.0	14.0	(57.4)%
Other current liabilities	f	375.2	302.6	+24.0%
Total current liabilities		**381.1**	**316.5**	**+20.4%**
Total liabilities		**679.0**	**607.4**	**+11.8%**
Shareholders' equity	**g**	**191.0**	**201.2**	**(5.1)%**
Total liabilities and shareholders' equity		**870.0**	**808.6**	**+7.6%**

a) Including €68.9 million of right-of-use assets at June 30, 2020 and €64.5 million at December 31, 2019.
b) Excluding equity shares in equity method companies.
c) Including deferred tax assets of €32.2 million at June 30, 2020, and €31.8 million at December 31, 2019.
d) Long-term and short-term liabilities include liabilities under our employee profit-sharing plans in the total amount of €7.2 million at June 30, 2020, and €6.8 million at December 31, 2019.
e) Including the IFRS 16 liabilities of €56.4 million at June 30, 2020 and €52.4 million at December 31, 2019.
f) Including "tax and social liabilities" of €102.2 million at June 30, 2020, and €91.6 million at June 30, 2019. This includes VAT, French and US profit-sharing schemes, provisions for leave days, social security contributions in France, French health insurance coverage, and wage bonuses. Including also the IFRS 16 liabilities for €14.2 million at June 30, 2020, and €13.5 million at December 31, 2019.
f) Including minority interests of €0.2 million at June 30, 2020, and €0.2 million at December 31, 2019.

(1) See Chapter 3 "Condensed consolidated interim financial statements", Section 3.6, Note 2 on Alternative performance indicators and Note 6 "Segment reporting".

2.3.2.1 | Comments on the Group’s financial position as of June 30, 2020

Consolidated total balance sheet

€870.0m

The consolidated total balance sheet amounted to €870.0 million at June 30, 2020, a €61.4 million or 7.6% increase over December 31, 2019. This increase is mainly attributable to the €55.7 million increase in receivables linked to outsourced management contracts in the health insurance sector.

Goodwill

€186.0m

Goodwill amounted to €186.0 million at June 30, 2020, compared with €192.7 million at December 31, 2019. This €6.7 million decrease, or 3.5%, was the result of assigning €4.1 million of goodwill from 2019 acquisitions to other identifiable assets, and of a €2.6 million currency impact. Goodwill represented 21.4% of the total balance sheet at June 30, 2020, compared with 23.8% at December 31, 2019.

Intangible assets

€163.9m

Intangible fixed assets rose €6.4 million in net value, or 4.1%, to €163.9 million at June 30, 2020, compared with €157.5 million at December 31, 2019. This principally reflects the €25.6 million increase in capitalization of development costs over the period and the currency negative impact of €1.3 million an dthe amortization over the period. . Intangible fixed assets’ share of the total balance sheet was 18.8% at June 30, 2020, compared with 19.5% at December 31, 2019

Tangible assets

€102.7m

Tangible assets increased by €3.6 million in net value, or 3.65% to €102.7 million at June 30, 2020, compared with €99.2 million at December 31, 2019. This principally reflects the €4.3 million increase of right-of-use assets (IFRS 16) that amounted to €68.9 million as of June 30, 2020, compared to 64.5 million at December 31, 2019. Tangible assets represented 11.8% of total assets at June 30, 2020, compared with 12.3% at December 31, 2019.

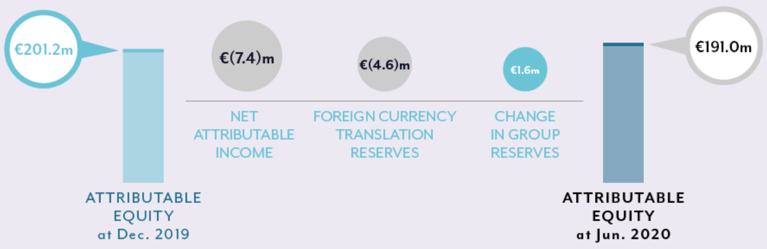
Trade receivables

€139.5m

Trade receivables decreased €4.5 million, or 3.1%, to €139.5 million at end-June 2020 compared with €144.0 million at end-December 2019. Virtually all trade receivables have maturities of less than one year. These items represented 16.0% of the total balance sheet at June 30, 2020, compared with 17.8% at December 31, 2019.

Shareholders’ equity

€191.0m



Equity decreased by €10.3 million, or 5.1%, to €191.0 million at June 30, 2020, compared with €201.2 million at December 31, 2019. The change mainly reflects the €7.4 million decrease in Group earnings and for €4.6 million in translation reserves, partially offset by a €1.6 million increase in Group reserves. Equity represented 22.0% of total assets at June 30, 2020, compared with 24.9% at December 31, 2019.

2.3.2.2 | Comments on net financial debt as of June 30, 2020

Net financial debt(1)

In € million	Note	06/30/2020	12/31/2019	Change %
Long-term financial debt		196.3	195.7	+0.3%
Short-term financial debt		6.0	14.0	(57.4)%
Gross debt		**202.3**	**209.7**	**(3.5)%**
Cash & cash equivalents		26.1	29.1	(10.1)%
Net financial debt excluding IFRS 16 debt(1)		**176.1**	**180.6**	**(2.5)%**
IFRS 16 debt		70.6	65.9	+7.1%
Net financial debt(1)	**f**	**246.8**	**246.5**	**+0.1%**
Equity	g	191.0	201.2	(5.1)%
Gearing	**h=f/g**	**1.3**	**1.2**	**-**
EBITDA(1) LTM	i	94.0	101.2	(7.1)%
Leverage ratio	**f/i**	**2.6**	**2.4**	

(h) Net financial debt to total equity ratio.

Cegedim's principal financing arrangements, description

Euro PP of €135.0 million at a 3.50% fix rate maturing on October 8, 2025.

Revolving credit of €65.0 million, maturing on October 9, 2024. The one-year loan extension option was activated on December 2019. As of June 30, 2020, the Group has drawn €10 million.

FCB loan of €45.1 million maturing on November 20, 2025. The FCB loan bears interest at a rate of 200 basis points above the rate applicable under the revolving credit facility agreement. The interest is payable semi-annually on June 30 and December 31 of each year.

Overdraft facility of €24.0 million, of which €0.0 million is drawn as of June 30, 2020.

The Group also had non-recourse factoring lines, under which it had sold €24.1 million of receivables as of June 30, 2019. As of December 31, 2019, all of the factoring lines had been terminated.

Cegedim's principal financing arrangements by maturity

In € million	Total	Less than 1 year	Between 1 and 5 years	More than 5 years
Euro PP	135.0	-	-	135.0
Revolver credit facility	65.0	-		65.0
FCB loan	45.1	-	-	45.1
Overdraft facilities	24.0	24.0	-	-
Total	**269.1**	**24.0**	**0.0**	**245.1**

(1) See Chapter 3 "Condensed consolidated interim financial statements", Section 3.6, Note 2 on Alternative performance indicators and Note 6 "Segment reporting".

Total financial liabilities **€202.3m**	**Total financial liabilities** decreased by €7.4 million, or 3.5%, to €202.3 million at June 30, 2020, compared to €209.7 million at December 31, 2019. The decline is due mainly to the repayment of €10 million drawn on the revolving credit facility. **Long-term financial liabilities** remained virtually stable at €196.3 million at June 30, 2020, compared with €195.7 million at December 31, 2019. Long-term liabilities include liabilities under Cegedim's employee profit-sharing plans in the total amount of €6.0 million at June 30, 2020, compared with €5.3 million at December 31, 2019. **Short-term debts** decreased by €8.0 million, i.e. 57.4%, to €6.0 million at June 30, 2020, compared with €14.0 million at December 31, 2019. Short-term liabilities include €1.2 million for the short-term portion of an employee profit-sharing plan at June 30, 2020, compared with €1.5 million at December 31, 2019.
Cash and equivalents **€26.1m**	**Cash and equivalents** came to €26.1 million at June 30, 2020, a €2.9 million decrease compared to December 31, 2019. This decrease is chiefly attributable to the €2.6 million drop in prepaid income at the health insurance BPO business. Cash and cash equivalents represented 3.0% of total assets at June 30, 2020, compared with 3.6% at December 31, 2019.
Net financial debt(1) **€176.1m**	**Total net financial debt(1)** amounted to €176.1 million, down €4.4 million compared with a year ago. It represented 92.2% of shareholders' equity at June 30, 2020, compared with 89.7% at December 31, 2019. Long- and short-term liabilities include €7.2 million for an employee profit-sharing plan, and €1.9 million of other debt at June 30, 2020.
Lease liabilities **€70.6m**	The lease liabilities increased by €4.7 million, or 7.1%, to €70.6 million at June 30, 2020, compared to €65.9 million at December 31, 2019. €56.4 million are classified as long-term debt and €14.2 million, as the short-term portion. Therefore, total Group liabilities amounted to €246.8 million at June 30, 2020, compared to €246.5 million at December 31, 2019.
Off-balance sheet commitments	Cegedim SA provides guarantees and securities covering the operational or financing obligations its subsidiaries incur in the ordinary course of business. See Chapter 3, Point 3.6, Note 16.2.

(1) See Chapter 3 "Condensed consolidated interim financial statements", Section 3.6, Note 2 on Alternative performance indicators and Note 6 "Segment reporting".

2.3.2.3 | Summarized consolidated cash flow statement as of June 30, 2020

Cash flow statement

In € million	06/30/2020	06/30/2019
Cash flow from operating activities before tax paid and taxes	**34.7**	**43.1**
Tax paid	(2.1)	(0.5)
Change in working capital[2]	+18.1	(47.6)
Free cash from (used in) operating activities	**50.7**	**(4.9**
Net cash from (used in) investing activities	**(34.7)**	**(40.8)**
Net cash from (used in) financing activities	**(18.7)**	**(9.3)**
Total cash flows excluding currency impact	**(2.8)**	**(55.0)**
Change due to exchange rate movements	(0.2)	+0.1
Change in cash	**(2.9)**	**(54.9)**
Net cash at the beginning of the period	29.1	81.1
Net cash at the end of the period	26.1	26.2

(2) a "+" sign indicates a release and a sign "-" indicates a requirement.

Free cash flow from operations[1]

In € million	06/30/2020	06/30/2019
Cash flow from operating activities before tax and interest	34.7	43.1
Change in working capital requirement	18.1	(47.6)
Corporate tax paid	(2.1)	(0.5)
Net cash from operating activities	**50.7**	**(4.9**
Acquisitions of intangible assets	(27.8)	(26.1)
Acquisitions of tangible assets	(5.0)	(4.9)
Disposal of intangible assets and tangible assets	0.3	0.1
Free cash flow from operation[1]	**18.1**	**(35.8)**

Total capital expenditures

In € million	06/30/2020	06/30/2019
Capitalized R&D	(25.6)	(24.6)
Maintenance capex	(6.9)	(6.3
Total capital expenditures excluding acquisition / disposal and investment in discontinuing activities	**(32.5)**	**(30.6)**
Acquisition / disposal	0.0	(10.9
Total capital expenditures	**(32.5)**	**(41.8)**
Consolidated Group revenue	236.2	245.8
Total capital expenditures excluding acquisition / disposal and investment in discontinuing activities to Revenue ratio	13.8%	12.6%

(1) See Chapter 3 "Condensed consolidated interim financial statements", Section 3.6, Note 2 on Alternative performance indicators and Note 6 "Segment reporting".

2.3.2.4 | Comments on the cash flow statement as of June 30, 2020

Net cash flow from operating activities

+€50.7m

Cash flow generated from operating activities increased by €55.6 million to an inflow of €50.7 million at June 30, 2020, compared with an outflow of €4.9 million at December 31, 2019. This improvement is chiefly attributable to a substantial €18.1 million reduction in WCR.

Change in working capital

+€18.1m

Working capital levels vary as a result of several factors, including seasonality and the efficiency of the receivables collection process. Historically, Cegedim has financed its working capital requirements with cash on hand and amounts available under the revolving credit facility and overdraft facilities.

Working capital requirement amounted to a working capital release €18.1 million at June 30, 2020, compared with a working capital requirement of €47.6 million at December 30, 2019. The improvement in WCR is attributable to a €15 million boost from the postponement of social charges and rent payments as a result of efforts to mitigate the impacts of the Covid-19 crisis, the termination of non-recourse factoring agreements in December 2019 (€14.9 million impact at June 30, 2019), and the fluctuation in advances paid by clients at the health Insurance BPO business.

Net cash flow used in investing activities

€(34.7)m

Net cash flow used in investing activities decreased by €6.1 million, to an outflow of €34.7 million at end-June 2020, compared with an inflow of €40.8 million at end-December 2019. The change in cash flow from investing activities is mostly due to the capitalization of R&D. The decrease in 2020 is largely attributable to the fact that the Group has made no acquisitions / disposals, conversely to the €10.9 million spent on acquisitions in H1 2019.

Net cash flow used in financing activities

€(18.7)m

Net cash flow used in financing activities increased by €9.4 million, resulting in an outflow of €18.7 million at June 30, 2020, compared with an outflow of €9.3 million at December 31, 2019. This trend reflects mainly the repayment of €10 million drawn on the revolving credit facility.

Change in net cash

€(2.9)m

The change in net cash from operations, investment operations, and financing operations was a decrease of €2.9 million at the end of June 2020, including a €0.2 million positive contribution from exchange rate movements.

Free cash flow from operations(1)

€(18.1)m

Free cash flow from operations(1) amounted to a release of €18.1 million for H1 2020, compared with a requirement of €35.8 million for H1 2019. This €53.9 million increase came mainly from a significant decrease in WRC, partly offset by a decrease in the operating cash flow before cost of net financial debt and taxes.

Capital expenditures
Excluding acquisitions / disposals

€(32.5)m

Capital expenditures excluding acquisitions and divestments were up compared with previous years. Historically, the principal items have been R&D, maintenance costs, and acquisitions / disposals. There are no material capital expenditure commitments. Flexibility and discretion are maintained in order to periodically adjust the level of capital expenditures to the needs of Cegedim's business.

At June 30, 2020, capital expenditures increased by €1.6 million, or 5.3%, to €32.5 million compared with €30.9 million at June 30, 2019. The capital expenditures breakdown was as follows: €25.6 million of capitalized R&D in H1 2020 compared with €24.6 million in H1 2019, and €6.9 million in maintenance capex in H1 2020 compared with €6.3 million in H1 2019. Capital expenditures represented 13.8% of consolidated revenue over H1 2020, compared with 12.4% over H1 2019.

2.4 | Related party transactions

Related party transactions

A description of transactions with related parties is available in Chapter 4, point 4.6, note 19 page 152, and page 276, in Chapter 9 of the 2019 Universal Registration Document filed with the Autorité des Marchés Financiers (French Financial Markets Authority - AMF) on March 31, 2020, under number D.20-0218.

During the first six months of 2020, Cegedim identified no other significant related-party transactions.

2.5 | Main risks and uncertainties for the remaining six months of the year

Main risks and uncertainties

The main risks and uncertainties to which the Cegedim Group could be exposed in the second half of 2020 are described in chapter 7 "Risk management" of the 2019 Universal Registration Document.

(1) See Chapter 3 "Condensed consolidated interim financial statements", Section 3.6, Note 2 on Alternative performance indicators and Note 6 "Segment reporting".

2.6 | Events after June 30, 2020

Subsequent events	No significant events occurred between June 30, 2020, and September 24, 2020, when the Board of Directors authorized the condensed consolidated interim financial statements for issue.

2.7 | Outlook

2020 outlook disclosed on July 28, 2020	The Group has a solid business model, a robust financial situation with a reasonable amount of leverage[(1)], no debt maturing before October 2024, an undrawn €55 million revolving credit facility, and an unused €24 million overdraft facility. Because the Group operates overwhelmingly in the healthcare sector and expects activity to catch back up—particularly in third-party payments and at *C-Media*—Cegedim is looking for relatively stable revenues in full-year 2020 relative to 2019. This outlook may need adjustment if health conditions in Europe significantly deteriorate in the second half of 2020.
2020 outlook disclosed on September 24, 2020	The Group has a solid business model, a robust financial situation with a reasonable amount of leverage[(1)], no debt maturing before October 2024, an undrawn €65 million revolving credit facility, and an unused €11 million overdraft facility on the date this report was published. First-half revenues fell 2.5% like for like, and recurring operating profit fell 50.1%. The Group operates predominantly in the healthcare sector and expects business at its two operating divisions to rebound in H2 2020, with a return to organic growth in revenue and recurring operating income. Consequently, relative to 2019, Cegedim is looking for nearly stable FY 2020 revenue and recurring operating income. These targets may need to be revised if the Covid-19 crisis causes a severe tightening of public health restrictions after the first-half accounts are published. The Group does not expect any material acquisitions in 2020 and does not provide earnings estimates or forecasts.
Notice	*The figures cited above include guidance on Cegedim's future financial performances. This forward-looking information is based on the opinions and assumptions of the Group's senior management at the time this document is issued and naturally entails risks and uncertainty. For more information on the risks facing Cegedim, please refer to Chapter 7, Section 7.2, "Risk factors".*

(1) See Chapter 3 "Condensed consolidated interim financial statements", Section 3.6, Note 2 on Alternative performance indicators and Note 6 "Segment reporting".

3 | Condensed consolidated interim financial statements

3.1 | Consolidated balance sheet

Consolidated assets

In thousands of euros	Note	06/30/2020 Net	12/31/2019 Net
Goodwill on acquisition	10.1	186,026	192,740
Development costs		46,208	21,960
Other intangible fixed assets		117,730	135,579
Intangible fixed assets		163,938	157,540
Property		544	544
Buildings		2,670	2,960
Other tangible fixed assets		30,638	30,960
Right-of-use assets		68,870	64,537
Fixed assets in progress & Advances and deposits on tangible fixed assets		21	163
Tangible fixed assets		102,744	99,164
Equity investments		1,182	1,214
Loans		15,317	14,017
Other long-term investments		5,545	4,546
Long-term investments – excluding equity shares in equity method companies		22,045	19,777
Equity shares in equity method companies	14	15,639	15,080
Deferred tax asset	15.1	32,207	31,750
Accounts receivable: long-term portion	7.4	-	-
Other receivables: long-term portion	7.5	-	-
Long-term financial instruments		266	387
Prepaid expenses: long-term portion		319	390
Non-current assets		523,184	516,828
Services in progress		-	-
Goods		4,829	4,434
Advances and deposits received on orders		248	208
Accounts receivable: short-term portion	7.4	139,516	143,986
Other receivables: short-term portion	7.5	161,432	101,684
Short-term financial instruments		1	1
Cash equivalents		0	0
Cash		26,120	29,059
Prepaid expenses: short-term portion		14,697	12,414
Current assets		346,844	291,785
Total Assets		**870,027**	**808,613**

At June 30, 2020, the Group's cash position was positively impacted by €11 million, compared with a negative impact of €32.2 million at December 31, 2019, because prepaid income in the health insurance BPO activity was classified as "other current receivables" to reflect the special terms of some contracts.

Consolidated liabilities and shareholders' equity

In thousands of euros	Note	06/30/2020	12/31/2019
Share capital		13,337	13,337
Group reserves		188,159	186,526
Group exchange gains/losses		(6,031)	(1,480)
Group earnings		(4,667)	2,697
Shareholders' equity, Group share		190,798	201,080
Minority interests		192	167
Shareholders' equity		190,990	201,247
Long-term financial liabilities	11.1	196,319	195,694
Non-current lease liabilities	11.3	56,425	52,413
Long-term financial instruments		397	627
Deferred tax liabilities	14.1	8,900	8,009
Retirement commitments		33,958	32,250
Non-current provisions		1,906	1,855
Other non-current liabilities	7.6	-	-
Non-current liabilities		297,905	290,847
Short-term financial liabilities	11.1	5,950	13,961
Current lease liabilities	11.3	14,186	13,507
Short-term financial instruments		2	2
Accounts payable and related accounts		47,702	50,644
Tax and social liabilities		102,205	91,593
Provisions		4,207	5,513
Other current liabilities	7.6	206,881	141,299
Current liabilities		381,132	316,519
Total liabilities		**870,027**	**808,613**

3.2 | Consolidated income statement

In thousands of euros	Note	06/30/2020	06/30/2019	Change
Revenue	**7.1**	**236,199**	**245,795**	**(3.9)%**
Purchases used		(12,039)	(15,260	(21.1)%
External expenses		(51,909)	(55,693)	(6.8)%
Taxes		(5,097)	(4,425)	15.2%
Payroll costs	8.1	(127,901)	(124,640)	2.6%
Impairment on accounts receivable and other receivables and on contract assets		(2,102)	(38	n.m.
Allocations to and reversals of provisions		(706)	(1,332)	(47.0)%
Change in inventories of products in progress and finished products		-	(79)	(100.0)%
Other operating income and expenses		146	(282)	(151.7)%
Share of income of equity method companies	9.2	1,656	1,426	16.2%
EBITDA[(1)]		**38,247**	**45,472**	**(15.9)%**
Depreciation expenses other than right-of-use assets		(24,259)	(25,078)	3.3%
Depreciation expenses of right-of-use assets		(7,684)	(7,750)	(0.9)%
Recurring operating income before special items[(1)]		**6,305**	**12,643**	**(50.1)%**
Depreciation of goodwill		-	(2,500)	n.m.
Non-recurring income and expenses(1)		(6,167)	(13,784)	(55.3)%
Other non-recurring operating income and expenses[(1)]	**7.2**	**(6,167)**	**(16,284)**	**(62.1)%**
Operating income		**138**	**(3,640)**	**(103.8)%**
Income from cash and cash equivalents		35	52	(32.6)%
Gross cost of financial debt		(4,266)	(4,387)	(2.8)%
Other financial income and expenses		(335)	(125)	166.9%
Cost of net financial debt	**11.5**	**(4,566)**	**(4,460)**	**2.4%**
Income taxes		(516)	(1,914)	(73.0)%
Deferred taxes	14.1	304	(168)	(281.2)%
Total taxes		**(212)**	**(2,082)**	**(89.8%**
Share of profit (loss) for the period of equity method companies	9.2	0	(8)	(100.0)%
Consolidated profit (loss) for the period		(4,640)	(10,190)	(54.5)%
Consolidated net income (loss) attributable to owners of the parent	**A**	**(4,667)**	**(10,180)**	**(54.2)%**
Income from of equity method companies		26	10	162.9%
Average number of shares excluding treasury stock	B	13,826,606	13,853,244	n.m.
Current earnings per share (in euros)		**(0.2)**	**(0.4)**	n.m.
Earnings per share (in euros)	**A/B**	**(0.3)**	**(0.7)**	n.m.
Dilutive instruments		None	None	n.m.
Earning for recurring operation per share (in euros)		**(0.3)**	**(0.7)**	n.m.

(1) See Section 3.6, Note 2 on Alternative performance indicators and Note 6 "Segment reporting".

3.3 | Consolidated statement of comprehensive income

In thousands of euros	Note	06/30/2020	06/30/2019	Change
Consolidated net profit (loss) for the period		**(4,640)**	**(10,190)**	**54.5%**
Unrealized exchange gains / losses		(4,551)	27	n.m.
Hedging of financial instruments				
Gross unrealized gains and losses		*32*	*(18)*	*n.m.*
Tax impact		*(9)*	*5*	*n.m.*
Other items that may not later be recycled to profit or loss		**(4,528)**	**13**	**n.m.**
Restatement of net liabilities of defined-benefit schemes				
Gross gains and losses				
Tax impact		*5*		*n.m.*
Other items that may not later be recycled to profit or loss net		5	0	n.m.
Total earnings		**(9,163)**	**(10,176)**	**9.9%**
Total earnings		26	(10)	n.m.
Total earnings		**(9,189)**	**(10,166)**	**9.6%**

3.4 | Consolidated statement of changes in equity

In thousands of euros	Share capital	Share premiums	Conso. retained earnings	Exchange differences	Total group share	Share of stakes	Total
Balance at 01/01/2019	**13,337**	**0**	**191,057**	**(5,613)**	**198,781**	**176**	**198,956**
Profit (loss) for the period			**2,697**		**2,697**	**(6)**	**2,691**
Gains and losses recognized directly in equity							0
Hedging of financial instruments			6		6		6
Hedging of net investments					0		0
Exchange differences				4,133	4,133		4,133
Actuarial differences related to prov. for retirement			(5,056)		(5,056)		(5,056)
Total earnings for the period			**(2,352)**	**4,133**	**1,781**	**(6)**	**1,775**
Transactions with shareholders							
Capital transactions							0
Securities transactions			256		256		256
Distribution of dividends[(1)]						(1)	(1)
Treasury shares			261		261		261
Total transactions with shareholders			**517**	**0**	**517**	**(1)**	**516**
Change in consolidated scope					0		0
Balance 12/31/2019	**13,337**	**0**	**189,222**	**(1,480)**	**201,080**	**167**	**201,247**
Profit (loss) for the period			**(4,667)**		**(4,667)**	**26**	**(4,641)**
Gains and losses recognized directly in equity							
Hedging of financial instruments			23		23		23
Hedging of net investments							
Exchange differences				(4,551)	(4,551)		(4,551)
Actuarial differences related to prov. for retirement			5		5		5
Total earnings for the period			**(4,639)**	**(4,551)**	**(9,189)**	**26**	**(9,163)**
Transactions with shareholders							
Capital transaction							
Securities transaction			(119)		(119)		(119)
Distribution of dividends[(1)]						(1)	(1)
Treasury shares			(980)		(980)		(980)
Total transactions with shareholders			**(1,100)**		**(1,100)**	**(1)**	**(1,101)**
Others changes			7		7	0	7
Change in consolidated scope					0		0
Balance at 06/30/2020	**13,337**	**0**	**183,491**	**(6,031)**	**190,798**	**192**	**190,990**

(1) *The total amount of dividends is distributed in respect of common shares. There are no other classes of shares. There were no issues, repurchases or redemptions of equity securities for the years 2019 and 2020, except for the shares acquired under the free share award plan.*

3.5 | Consolidated statement of cash flows

In thousands of euros	Note	06/30/2020	12/31/2019	06/30/2019
Consolidated profit (loss) for the period		***(4,641)***	***2,691***	***(10,190)***
Share of earnings from equity method companies		(1,656)	*(2,429)*	(1,417)
Depreciation and provisions		36,425	*53,681*	48,220
Capital gains or losses on disposals		(253)	*28,570*	(25)
Cash flow after cost of net financial debt and taxes		**29,875**	***82,513***	**36,588**
Cost of net financial debt		4,566	*8,572*	4,460
Tax expenses		212	*4,821*	2,082
Operating cash flow before cost of net financial debt and taxes		**34,653**	***95,906***	**43,130**
Tax paid		(2,140)	*(2,190)*	(473)
Change in working capital requirements for operations: requirement		-	*(64,455)*	(47,584)
Change in working capital requirements for operations: surplus		18,138	*-*	-
Cash flow generated from operating activities after tax paid and change in working capital requirements	**A**	**50,651**	***29,260***	**(4,927)**
Acquisitions of intangible assets		(27,848)	*(50,665*	(26,066)
Acquisitions of tangible assets		(5,009)	*(11,704)*	(4,880)
Acquisitions of long-term investments		(980)	*-*	391
Disposals of tangible and intangible assets		332	*8,321*	51
Disposals of long-term investments		27	*261*	-
Change in loans made and cash advances		(1,309)	*894*	555
Impact of changes in consolidation scope[1]		-	*(25,378)*	(10,922)
Dividends received		79	*1,883*	97
Net cash flows generated by investment operations	**B**	**(34,708)**	***(76,389)***	**(40,773)**
Dividends paid to shareholders of the parent company		-	*-*	-
Dividends paid to the equity method companies		-	*(1)*	
Capital increase for cash		-	*-*	
Loans issued		-	*20,000*	-
Loans repaid		(9,834)	*(913)*	(354)
Repayment of lease liabilities		(7,521)	*(16,307)*	(7,017)
Interest paid on loans		(262)	*(5,237)*	(245)
Other financial income received		75	*897*	52
Other financial expenses paid		(1,190)	*(3,593)*	(1,766)
Net cash flows generated by financing operations	**C**	**(18,731)**	***(5,154)***	**(9,330)**
Change in cash before impact of change in foreign currency exchange rates	**A+B+C**	**(2,788)**	***(52,282)***	**(55,030)**
Impact of changes in foreign currency exchange rates		(154)	253	96
Change in cash		**(2,943)**	***(52,029)***	**(54,934)**
Opening cash		29,059	81,088	81,088
Closing cash		26,116	29,059	26,154

3.6 | Notes to the consolidated financial statements

Note 1 | Reference

The Group's consolidated financial statements as of June 30, 2020, have been prepared in accordance with standard IAS 34 - Interim Financial Reporting. They are condensed interim financial statements and do not include all of the information required for annual financial statements. The consolidated financial statements as of June 30, 2020, should therefore be read in conjunction with the Group consolidated financial statements reported on December 31, 2019.

The accounting principles applied by the Group for the preparation of the interim consolidated financial statements at June 30, 2020, comply with international accounting standards, IFRS (International Financial Reporting Standards), as endorsed by the European Union. The Group did not opt for early application of the standards, amendments, and interpretations that were not mandatory on June 30, 2020.

The consolidated condensed financial statements were approved by the Board of Directors of Cegedim SA at its meeting of September 24, 2020, and were reviewed by the Audit Committee on September 19, 2020.

1.1 Valuation methods used for the consolidated financial statements

The financial statements mainly use the historical cost principal, except for derivative instruments and financial assets, which are measured at fair value. Assets and liabilities related to business combinations are also measured at fair value.

New IFRS standards and interpretations

The financial statements are primarily prepared on a historical cost basis, except for derivatives and financial assets other than those measured at fair value. Assets and liabilities of business combinations are also measured at fair value.

New standards and interpretations effective January 1, 2020

The accounting principles and methods applied to the consolidated interim financial statements at June 30, 2020, are the same as those applied at December 31, 2019, except for the new IFRS standards, amendments and interpretations that came into effect on January 1, 2020.

The IFRS standards and amendments applicable to H1 2020 did not impact the Group's financial statements at June 30, 2020:

- Amendments to IFRS 3 – Business Combinations – Definition of a Business,
- Amendments to IAS 1 and IAS 8 – Definition of "material";
- Amendments to the references to the conceptual framework in IFRS standards;
- Amendments to IFRS 9 and IFRS 7 – Interest rate benchmark reform.

Standards and interpretations approved by IASB but not yet effective at June 30, 2020

The Group did not begin early application of any of the following new standards and interpretations, which could affect it but were not yet effective at January 1, 2020.

- Amendments to IAS 1 – Financial statement presentation – Classification of liabilities as current or non-current;
- Amendments to IAS 37 – Provisions, contingent liabilities and contingent assets – Onerous contracts, cost of fulfilling a contract;
- Amendments to IAS 16 – Property, plant and equipment – Proceeds before intended use;
- Amendments to IFRS 16 – Covid-19-related rent concessions;
- Amendments to IFRS 3 – Business Combinations – References to the conceptual framework;
- Annual improvements to IFRS 2018-2020 cycle.

Note 2 | Alternative performance indicators

To monitor and analyze the financial performance of the Group and its activities, Group management uses alternative performance indicators. These financial indicators are not defined by IFRS norms. This note presents a reconciliation of these indicators and the aggregates from the consolidated financial statements under IFRS.

Reported and like-for-like revenue

Definition

The Group's reported revenue corresponds to its actual revenue. The Group also uses like-for-like data. Adjustments consist of:

- neutralizing the portion of revenue corresponding to entities divested in 2019;
- including the portion of revenue corresponding to entities acquired in the second half of 2019 and the first half of 2020;
- recalculating 2019 revenue at 2020 exchange rates.

These adjustments give rise to comparable data at constant scope and exchange rates, which serve to measure organic growth.

Reported and like-for-like revenue

Reconciliation table

In € thousands		Health insurance, HR and e-services	Healthcare professionals	Corporate and others	Groupe
2019 revenue	a	162,498	81,572	1,724	245,795
Impact of disposals		-	(5,584)	-	(5,584)
2019 revenue before impact of disposals		162,498	75,988	1,724	240,211
Currency impact		(11)	(69)	-	(79)
2019 revenue at 2020 exchange rate	b	162,488	75,920	1,724	240,131
2020 revenue before impact of acquisitions	c	158,097	74,147	1,730	233,973
Revenue from acquisitions		2,225	-	-	2,225
2020 revenue		160,322	74,147	1,730	236,199
Like-for-like growth ([c-b]/a)	[c-b]/a	(2.7)%	(2.2)%	(0.3)%	(2.5)%

Recurring operating income

Definition

The Group's operating income includes all revenues and expenses directly related to Group activities, whether these revenues and expenses are recurring or arise from non-recurring decisions or transactions.

"Other non-recurring operating income and expenses" consists of unusual items, notably as concerns their nature or frequency, that could distort the assessment of Group entities' financial performance. Other non-recurring operating income and expenses may include impairment of tangible assets, goodwill, and other intangible assets, gains or losses on disposals of non-current assets, restructuring costs, and costs relating to workforce adaptation measures.

Consequently, Cegedim monitors its operating performance using "Recurring operating income"(REBIT), defined as the difference between total operating income and other non-recurring operating income and expenses.
Recurring operating income (REBIT) is an intermediate line item intended to facilitate understanding of the Group's operating performance and as a way to estimate recurring performance. This indicator is presented in a manner that is consistent and stable over the long term in order to ensure the continuity and relevance of financial information.

EBITDA

Definition

The Group uses EBITDA to monitor its operating performance. This financial indicator corresponds to recurring operating income plus depreciation and amortization expenses.

Recurring operating income and EBITDA

Reconciliation table

In € million		06/30/2020	06/30/2019
Operating income	a	**138**	**(3,640)**
Other non-recurring operating income and expenses	b	(6,167)	(13,784)
Amortization of goodwill)	c	-	(2,500)
Other non-recurring operating income and expenses	d=b+c	(6,167)	(16,284)
Recurring operating income	**e=a-d**	**6,305**	**12,643**
Depreciation and amortization expenses	f	(31,942)	(32,828)
EBITDA	**j=e-f**	**38,247**	**45,472**

EBITDA excluding IFRS 16

In € million	06/30/2020 Excl. IFRS 16	IFRS 16 Impact	06/30/2020
EBITDA	30,233	8,014	38,247
Depreciation and amortization expenses	(24,259)	(7,684)	(31,942)
Recurring operating income	**5,974**	**331**	**6,305**
Other non-recurring operating income and expenses	(6,167)	-	(6,167)
Operating income	**(193)**	**331**	**138**
Cost of net financial debt	(3,866)	(699)	(4,566)
Total taxes	(315)	103	(212)
Consolidated net income (loss) attributable to owners of the parent	**(4,400)**	**(266)**	**(4,667)**

Free cash flow from operations

Definition

The Group also uses an intermediate line item, Free cash flow from operations, to monitor its financial performance. This financial indicator measures net operating cash flow less net operating investments (defined as acquisitions and disposals of tangible and intangible assets).

Free cash flow from operations

Reconciliation table

In € million		06/30/2020	06/30/2019
Cash flow generated from operating activities after tax paid and change in working capital requirements	a	50,651	29,260
Acquisition of intangible assets	b	(27,848)	(50,665)
Acquisition of tangible assets	c	(5,009)	(11,704)
Disposal of tangible and intangible assets	d	332	8,321
Free cash flow from operations	e=a+b+c+d	18,126	(24,788)

Net financial debt

Definition

Net financial debt comprises gross borrowings, including accrued interest and debt restatement at amortized cost less cash and cash equivalents

Net financial debt

Reconciliation table

In € million		06/30/2020	12/31/2019	06/30/2019
Long-term financial liabilities	a	252,744	248,107	239,028
Short-term financial liabilities	b	20,136	27,468	19,710
Total financial liabilities	c=a+b	272,879	275,575	258,738
Cash and cash equivalents	d	26,120	29,059	26,157
Net financial debt	e=c-d	246,759	246,516	232,580
Non-current IFRS 16 debt	f	56,425	52,413	53,299
Current IFRS 16 debt	g	14,186	13,507	14,219
Net financial debt excluding IFRS 16 debt	h=e-f-g	176,148	180,596	165,062

Note 3 | Period Highlights

Tax

On February 21, 2018, Cegedim SA received official notice that the French tax authorities planned to perform an audit of its financial statements for the period from January 1, 2015, to December 31, 2016. After consultation with its lawyers and based on ample precedent, the Group believes that the adjustment is unwarranted. By appealing the case, we were able to obtain tax relief that brings the maximum possible amount of back taxes owed at June 30, 2020, to €8.5 million (vs. €9 million). Regarding the other points of disagreement, the Group has decided to explore its options for recourse before requesting an appeal. Cegedim still believes that there is not enough risk with respect to past deferred tax assets or to tax loss carryforwards recorded on its balance sheet as of June 30, 2020, (corresponding to €20 million of deferred tax) to jeopardize their valuation.

Note 4 | Impact of the Covid-19 pandemic

1. Overview

From the onset of the Covid-19 crisis, Cegedim's senior management focused on ensuring personal safety and business continuity.

We switched to teleworking in all the countries where we operate as soon as lockdowns were implemented—the remote work system was fully operational in under a week. We were able to ensure that all our activities continued to run smoothly and avoid any service disruptions. However, some businesses suffered a decline in volumes, we had to cancel or postponed onsite visits, and in general business was curbed by the lockdown. During this period, we encouraged our employees to take paid leave, and the use of partial unemployment only affected a limited number of teams—no employees, subject to exceptions, were subject to partial unemployment beyond June. As soon as lockdowns were lifted, business picked up for our onsite assistance teams, and we organized the gradual return of employees to the workplace in compliance with local health and safety recommendations.

Throughout the crisis, members of senior management stayed in regular contact with each other and with the central support departments (human resources, internal audit, communication, and finance). The division managers, senior managers and central support departments held weekly video conferences to keep the business running as smoothly as possible and prepare for a return to work under the best conditions. These weekly conferences notably served to reallocate resources on an ad hoc basis from activities hit hard by the crisis to others boosted by it. The finance department was in regular contact with the auditors.

2. Business continuity

The Covid-19 crisis did not, at any time, jeopardize business continuity.

The Group saw no need to relocate any of its activities.

In each of our countries, we have local business continuity plans and can perform ordinary operations remotely via telework.

Furthermore, thanks to the benefits of synergies with our subsidiaries in Romania, Morocco, Spain and Egypt—which are already felt under normal circumstances—the Group's entities were able to ensure business continuity with extended hours, and manage work overloads and back-ups for some sites and teams, notably R&D and BPO.

We also have a regularly beefed-up business continuity plan for our IT services and centralized datacenters, to which our subsidiaries are linked, and which proved its full worth and efficacy during this crisis.

3. Observed and expected impacts on business operations from the Covid-19 crisis

Health insurance, HR and e-services division

Our health data processing (GERS in France) and e-promotion (Medexact) activities enjoyed a boom during the lockdown period. They will continue to benefit from this momentum in H2 and should meet annual budget forecasts for 2020.

C-Media (digital displays in pharmacies) suspended its activities for one month but was able to resume business as soon as the lockdown was lifted and enjoyed a return to pre-crisis business levels in June. The impact of the crisis should therefore be limited to H1.

Note 4 continued | Impact of the Covid-19 pandemic

Since the Health Insurance, HR and e-services activities have a long, complex project phase, or require substantial change management at the client's site, they were the ones hardest hit by the lockdown. Most scheduled projects were postponed and it proved very difficult to acquire new business during this period, as it was impossible to visit clients. On the other hand, we observed an increase in ad hoc services concerning partial unemployment measures for Cegedim SRH's clients. After the lockdown was lifted, there was a sharp increase in e-business and HR projects. Health insurance activities, however, have picked up more slowly, and teams will have to keep a close eye on data flow activities, which have not all returned to pre-crisis volumes. We still expect these activities to report revenue growth in H2 2020, compared with H2 2019, albeit lower than our initial budget forecasts.

Healthcare professionals division

We are aware of the key role our solutions play in helping frontline health workers combat the Covid-19 pandemic and continued to provide exactly the same standard of service throughout the crisis in all the countries we operate in. Recurring Healthcare professionals division activities were not affected by the crisis.

What is more, the Group notched up several key achievements during this period. For example, Cegedim Logiciels Médicaux successfully fitted out four Covid-19 emergency units in record time at the height of the crisis. The lockdown also coincided with the launch of Maiia, the new telemedicine and appointment booking platform created from the merger of Docavenue and RDVmédicaux. In a show of solidarity with health professionals, the platform was offered free of charge during the launch period. A visible impact on revenue is therefore expected in H2.

The August 2019 sale of Pulse's activities in the United States accounts for 75% of the decline in H1 2020 revenue in the Healthcare professionals division.

This unfavorable base effect was compounded by a slump in sales—placing orders was clearly not a priority for clients during this period. The pharmacy software business in France was hit particularly hard and had to postpone the release of new features for its pharmacy point-of-sale solution until the end of the year. Although the doctor software activity in the UK performed very well in H1, driven by one-off sales, the launch of its new offerings for the UK market was again postponed by health authorities.

We are still confident in the growth potential of both these activities but highlight the uncertainty regarding their revenue in the short term. The Healthcare professionals activity as a whole has proved fairly resilient, and we therefore still expect growth in H2 2020 compared with H2 2019, at rates close to those initially budgeted for the second part of the year.

4. <u>Accounting for impacts in the financial statements</u>

The Group has not changed its alternative performance indicators because of the Covid-19 crisis and has not modified the way it presents its financial statements.

The Income statement clearly indicates several "non-current" impacts which are reported using the same methods applied in previous accounting periods, with no intention to pinpoint or exhaustively detail the specific effects of the Covid-19 crisis.

The broad impact of the crisis on the Group's performance is visible on every line of its income statement and is therefore reflected in its operating earnings. The impacts are reflected in the following main line items:

- The slowdown in business operations in H1 is reflected in the revenue figure.
- We managed to contain the increase in payroll costs by postponing most of the new hires initially scheduled for H1. We also encouraged as many employees as possible to take their holidays during the lockdown period, which reduced provisions for paid leave. We used partial unemployment schemes when necessary and were therefore able to benefit from the associated governmental support.
- The decline in other operating expenses primarily concerned two items: travel, onsite assignment and office reception expenses, and outsourcing. We cancelled or postponed some marketing campaigns. We were also particularly careful to avoid nonessential overhead costs.
- However, it is worth noting that product development plans went ahead as scheduled.

Note 4 continued and end | Impact of the Covid-19 pandemic

5. Financial risks

Cegedim Group's exposure to credit and liquidity risks is low.

The Group renegotiated its debt structure in 2018:

- There is no debt maturity before October 2024;
- The Group had an undrawn RCF of €55 million at June 30, 2020;
- It also had an unused overdraft facility of €24 million at June 30, 2020.

The Group is in compliance with its covenants, and senior management considers a covenant breach unlikely in the coming months.

Currency risk is low since each country runs operations using local resources and expresses costs in local currency.

6. Estimates and judgements

Given these highly exceptional conditions, we have decided to update our estimates whenever necessary. Please note that the possibility that health restrictions related to the Covid-19 pandemic could be tightened following the interim account publication date is not reflected in our assumptions.

The crisis notably affected the estimates we use to determine the recoverable value of intangible assets and acquisition goodwill.

7. Impairment testing of non-financial assets

The Group tests assets for impairment annually or when there is an indication of impairment. We consider the consequences of the Covid-19 crisis an indication of impairment.

First, we tested individual intangible assets for any indication of impairment. This led us to recognize an impairment charge of €4.3 million on some of the UK doctor software activity's intangible assets related to prior acquisitions, whose expected economic benefits no longer justify their book value.

Second, we carried out more stringent sensitivity tests on our CGUs using stricter assumptions than those applied to the 2019 fiscal year. At this stage, and to the best of our knowledge of the effects of the crisis and the uncertainties it creates, we believe there is no need to recognize impairment losses on our goodwill. See Note 10 of the H1 financial statements for more details.

Note 5 | Consolidation scope

5.1 Changes in consolidation scope

There were no changes in consolidation scope in H1 2020.

Note 6 | Segment reporting

6.1 Segment reporting, H1 2020

Cegedim Group's business is structured around two operational divisions.

The Health insurance, HR and e-services division serves large corporate clients. The division:

- handles all products and services marketed to insurance companies, mutual insurers, personal protection insurers, and insurance brokers, and it covers the entire chain of interactions between these entities and healthcare professionals;
- it also targets companies in any business sector interested in solutions for hosting, outsourcing (HR and payroll management, for example), or electronic data exchanges (Cegedim e-business).

The Healthcare professionals division serves doctors, allied health professionals, pharmacists, and healthcare facilities. The division sells management software, databases, and solutions that help healthcare professionals perform everyday tasks.

The Corporate and others division is the third division and supports the operating divisions.

Income statement items at June 30, 2020

	In thousands of euros	Health insurance, HR & e-services	Healthcare professionals	Corporate and others	Total 06/30/2020	Total France	Total rest of the world
	Segment revenue						
A	**Non-Group revenue**	**160,322**	**74,147**	**1,730**	**236,199**	**202,587**	**33,612**
B	Intra-Group revenue	6,598	7,974	27,232	41,804	39,892	1,912
A+B	**Revenue**	**166,921**	**82,120**	**28,962**	**278,003**	**242,479**	**35,524**
	Segment profit						
C	**Recurring operating income(1)**	**4,127**	**3,029**	**(852)**	**6,305**		
D	**EBITDA(1)**	**22,012**	**11,699**	**4,535**	**38,247**		
C/A	Recurring operating margin(1)	2.6%	4.1%	(49.3)%	2.7%		
D/A	EBITDA(1) margin	13.7%	15.8%	262.2%	16.2%		
	Depreciation and amortization	17,885	8,670	5,388	31,942		

Geographical breakdown of consolidated revenue at June 30, 2020

In thousands of euros	France	Euro zone excl. France	Pound sterling zone	Rest of the world	06/30/2020
Geographical breakdown	202,587	4,874	24,862	3,876	**236,199**
%	86 %	2 %	10 %	2 %	**100 %**

(1) see Section 4.6, Note 2 on alternative performance indicators.

Balance sheet items at June 30, 2020

In thousands of euros	Health insurance, HR & e-services	Healthcare professionals	Corporate and others	Total 06/30/2020	Total France	Total rest of the world
Segment assets						
Goodwill *(Note 10.1)*	94,441	91,585	-	186,026	114,659	71,367
Intangible fixed assets	82,475	73,469	7,994	163,938	108,375	55,563
Property and equipment	46,442	18,301	38,001	102,744	91,256	11,488
Investments in affiliates (Note 9.1)	82	15,557	-	15,639	4,150	11,489
Net total	**223,440**	**198,911**	**45,995**	**468,347**	**318,440**	**149,906**
Investments during the year (gross values)						
Goodwill (Note 10.1)	-	-	-	-	-	-
Intangible fixed assets	12,932	13,161	1,755	27,848	21,060	6,788
Property and equipment	4,924	2,530	9,873	17,326	14,513	2,813
Investments in affiliates (Note 9.1)	-	-	-	-	-	-
Gross total	**17,855**	**15,691**	**11,627**	**45,174**	**35,573**	**9,601**
Segment liabilities (1)						
Non-current liabilities						
Provisions for retirement	23,009	9,463	1,485	33,958	33,958	-
Other provisions	420	1,486	-	1,906	1,586	320
Other liabilities	-	-	-	-	-	-
Current liabilities						
Trade payables and related accounts	30,740	12,379	4,584	47,702	36,004	11,698
Tax and social liabilities	73,475	24,124	4,606	102,205	94,048	8,157
Provisions	1,422	2,783	2	4,207	2,870	1,338
Other liabilities	178,217	28,619	44	206,881	197,281	9,600

(1) By default, Cegedim SA's contribution to liabilities is still allocated to the Health insurance, HR & e-services segment, with no segment breakdown.

6.2 Segment reporting, H1 2019

Income statement items at June 30, 2019

	In thousands of euros	Health insurance, HR & e-services	Healthcare professionals	Corporate and others	Total 06/30/2020	Total France	Total rest of the world
	Segment revenue						
A	**Non-Group revenue**	**162,498**	**81,572**	**1,724**	**245,795**	**207,606**	**38,189**
B	Intra-Group revenue	5,247	7,765	24,059	37,071	35,534	1,537
A+B	**Revenue**	**167,745**	**89,337**	**25,784**	**282,866**	**243,140**	**39,726**
	Segment profit						
C	**Recurring operating income[1]**	**10,678**	**2,949**	**(983)**	**12,643**		
D	**EBITDA(1)**	**26,664**	**14,894**	**3,913**	**45,472**		
C/A	Recurring operating margin[1]	6.6%	3.6%	(57.0)%	5.1%		
D/A	EBITDA[1] margin	16.4%	18.3%	226.9%	18.5%		
	Depreciation and amortization	15 986	11,946	4,896	32,828		

Geographical breakdown of consolidated revenue at June 30, 2019

In thousands of euros	France	Euro zone excl. France	Pound sterling zone	Rest of the world	06/30/2029
Geographical breakdown	207,606	4,664	24,223	9,302	**245,795**
%	84 %	2 %	10 %	4 %	**100 %**

(1) see Section 4.6, Note 2 on alternative performance indicators.

Balance sheet items at June 30, 2019

In thousands of euros	Health insurance, HR & e-services	Healthcare professionals	Corporate and others	Total 30/06/2019	Total France	Total rest of the world
Segment assets						
Goodwill *(Note 10.1)*	99,193	93,546	-	192,740	115,157	77,583
Intangible fixed assets	77,050	73,248	7,242	157,540	100,730	56,810
Property and equipment	49,247	18,743	31,174	99,164	87,504	11,660
Investments in affiliates (Note 9.1)	119	14,961	-	15,080	4,136	10,944
Net total	**225,609**	**200,499**	**38,416**	**464,524**	**307,527**	**156,998**
Investments during the year (gross values)						
Goodwill (Note 10.1)	22,151	1,656	-	23,806	4,033	19,773
Intangible fixed assets	24,424	23,214	2,044	49,683	34,872	14,811
Property and equipment	11,303	6,048	11,163	28,514	24,146	4,368
Investments in affiliates (Note 9.1)	-	688	-	688	688	-
Gross total	**57,878**	**31,606**	**13,208**	**102,691**	**63,740**	**38,952**
Segment liabilities (1)						
Non-current liabilities						
Provisions for retirement	21,730	9,061	1,459	32,250	32,250	-
Other provisions	370	1,485	-	1,855	1,585	270
Other liabilities	-	-	-	-	-	-
Current liabilities						
Trade payables and related accounts	29,893	16,593	4,159	50,644	39,684	10,960
Tax and social liabilities	67,149	20,963	3,480	91,593	85,057	6,536
Provisions	1,459	4,052	2	5,513	2,895	2,618
Other liabilities	116,271	24,271	757	141,299	132,452	8,847

(1) By default, Cegedim SA's contribution to liabilities is still allocated to the Health insurance, HR & e-services segment, with no segment breakdown.

Note 7 | Operating data

7.1 Revenue

Cegedim Group's revenues consist primarily of:

- sales of services delivered using software developed and hosted by the Group or based on the databases built and still owned by the Group,
- sales of software under ad hoc licenses,
- and, to a lesser extent, hardware sales.

Revenue breakdown

Revenues are analyzed using two main client categories and one subsidiary category.

- Services for businesses operating in the **healthcare insurance, human resources and e-services** division (68% of consolidated revenues in 2019). These are large corporate accounts, such as insurers, mutuals, personal protection insurers, and other industry partners (pharmaceutical companies, public utilities in the distribution and services sectors, etc.), requiring solutions to their human resources management and data interchange needs.
- Services for **healthcare professionals** (32% of consolidated revenues in 2019). These services cater directly to the needs of healthcare professionals, including primary care physicians and specialists, and allied health professionals (physical therapists, nurses, podiatrists, etc.) working in private practice or at multidisciplinary health centers and healthcare facilities, as well as pharmacists working either individually or in consortiums. These may be single-person or mid-sized entities.
- Certain ancillary services, which are not material in value terms, are also delivered by entities providing support to the rest of the Group (**Corporate and others**: less than 1% of consolidated revenues).

The revenue breakdown required by IFRS 15 is identical to the one provided in our segment reporting. A geographical analysis is also provided based on currencies in which the transactions are denominated. This breakdown largely mirrors our internal reporting, the management report, and our financial press releases and presentations.

Information on services

The services provided in the "**Health insurance, HR and e-services**" division principally reflect the following performance obligations:

- **consulting and technical engineering services** intended to advise clients and support them through as they manage and implement changes to their organizations and technical environments ; these services generally take place over several weeks or months and represent distinct obligations in their own right.
- **recurring services** linked to the use of data flow or exchange platforms hosted by the Group and made available to clients in SaaS mode or operated for clients on a BPO basis; these services are generally billed on a monthly basis, as and when services are delivered.
- Less commonly, ad hoc services delivered "at a specific point in time" (see examples below).

7.1 Revenue continued

The services provided in the "**Health professionals**" division principally reflect the following performance obligations:

- sales of **packaged software** solutions, including maintenance and assistance, giving rise to a **subscription** (smoothed annual billings); this applies generally to all medical professions and pharmacies;
- services providing access to **software in SaaS mode** (monthly billing); this applies to applications hosted by Cegedim, such as the MLM medical practice software and the telemedicine range;
- sales of software in the form of **ad hoc licenses**, firstly, and **annual maintenance and assistance agreements**, secondly (on an ad hoc basis for certain allied health professionals or at pharmacies);
- database **subscriptions** (Claude Bernard database of medicine and healthcare products accessible on healthcare professionals' workstations) and other recurring services (backups, etc.);
- **hardware** sales (workstations, printers, cashguard, etc.);
- installation (per diem charge) or technical engineering services, usually never for more than a few days or weeks, at facilities where several health professionals work.

Information on revenue recognition

In most cases, the Group recognizes revenue on a **percentage of completion** basis. This applies to:

- technical engineering and consulting projects;
- subscriptions to the Group's databases;
- access to services and software sold in SaaS mode;
- digitized data and flow processing services;
- assistance and maintenance services covering the Group's solutions;
- business process outsourcing (BPO) activities.

Revenues recognized **"at a specific point in time"** consist of:

- the delivery of ad hoc research, which is recognized upon delivery;
- sales of software under ad hoc licenses, which are recognized upon delivery;
- hardware sales and installations, which are recognized once installation has been completed, generally concurrently with delivery;
- training and other ad hoc interventions, which are recognized upon completion of the service.

No material differences were identified between the approach to revenue recognition used in the parent company financial statements and that required under IFRS 15.

Note also that the Group's activities are not affected by the principal-agent issues that can sometimes have a material impact on the consolidated financial statements.

Order book

As regards the consolidated order book, the Cegedim Group decided to apply the practical expedients allowed by the standard. Information is not therefore shown for services under contracts whose expected initial term is less than one year or under contracts in respect of which the performance obligations are recognized under the right to bill method.

Almost all the services delivered by the Group consist of services billed for based on a number of units of work (flows, data, number of protected persons, etc.) or continuous services for which the right to bill is gained as the service is performed (maintenance, subscriptions, sales in SaaS mode, etc.).

The amount of unfilled or partially fulfilled benefit obligations on other types of contracts than those mentioned above is not material and is not shown.

7.1 Revenue continued

Information on contract assets and liabilities

Contract assets reflect Cegedim's right to consideration in exchange for services in respect of which control has transferred or is being transferred to the client. They specifically arise where revenue is recognized on a percentage of completion basis without there being an immediate right to bill (when billing takes place at completion or based on contract milestones). These assets are shown under trade receivables.

Contract liabilities reflect Cegedim's obligation to perform services for which the client has already transferred consideration. They include advances and payments on account received, as well as prepaid income, including in respect of assistance and maintenance services billed in advance, for which the service delivery period extends beyond the reporting date. These amounts are shown under other liabilities.

The timing difference between performance and payment arising from contract assets and liabilities is less than 12 months in almost all cases. The amounts shown in the opening balance are taken to income over the financial year, and a new estimate is made at the following reporting date.

In thousands of euros	Opening balance	Closing balance
Contract assets	21,683	28,478
Contract liabilities	35,663	43,035

Key accounting principles and judgments

Revenue is recognized based on an analysis of contracts that entail obligations to the Group's clients, divided into five stages in accordance with IFRS 15:

- Identification of the contract with the customer;
- Identification of the distinct performance obligations;
- Determination of the transaction price;
- Allocation of the overall price amongst the performance obligations;
- Recognition of revenue when each performance obligation is satisfied.

Owing to the nature of the services performed by the Group and the typically explicit language in its contracts, this is basically a fact-based analysis and does not rely on judgments or assessments.

7.2 Other non-recurring operating income and expenses

The breakdown of other non-recurring operating income and expenses is as follows:

In thousands of euros	06/30/2020	06/30/2019
Recurring operating income	6,305	12,643
Allowance and depreciation	(4,983)[1]	(14,843) [1]
Restructuring costs	(791)	(1,239)
Other non-recurring income and expenses	(393)	(202)
Operating income	**138**	**(3,640)**

(1) o/w €4.3 million of intangible asset impairment in the UK covering software development related to prior acquisitions, and a €949,000 write-down of receivables at Cegedim SA related to the divestment of CRM activities in 2015.

(2) o/w €2.5 million of acquisition goodwill impairment and €12.3 million of intangible asset impairment in the US related to the sale of Pulse Inc.

7.3 Capitalized production

Capitalized production has been reclassified as a reduction of payroll costs and external expenses, as shown in the table below:

In thousands of euros	06/30/2020	06/30/2019
Payroll costs	20,502	19,699
External expenses	5,125	4,925
Capitalized production	**25,627**	**24,624**

7.4 Trade receivables

A provision for impairment is recognized if the fair value, based on the probability of collection, is less than the book value. Thus, customers in receivership or liquidation proceedings are routinely impaired at 100%, and receivables more than six months past due are monitored on a case-by-case basis and, if necessary, impaired in the amount of the estimated risk of non-collection.

The Group began applying the new IFRS 9 impairment model on January 1, 2018, meaning that it immediately records expected losses for all its receivables. Given the types of clients the Group deals with, the new model has had no material impacts.

On May 22, 2017, the Group signed a factoring agreement on a non-recourse basis with a French bank. It applies to trade receivables denominated in euros payable by clients located in France. The amount of trade receivables sold under the agreement came to €24.0 million at June 30, 2019. As of December 31, 2019, the non-recourse factoring agreement had been cancelled.

The share of past-due receivables (gross amount) was €43 million at June 30, 2020.

In thousands of euros	Current trade receivables		Non-current trade receivables		Total trade receivables	
	06/30/2020	12/31/2019	06/30/2020	12/31/2019	06/30/2020	12/31/2019
French companies	127,681	132,647	-	-	127,681	132,647,
Foreign companies	23,241	19,859	-	-	23,241	19,859
Total gross value	**150,921**	**152,506**	**-**	**-**	**150,921**	**152,506**
Provisions	11,405	8,520	-	-	11,405	8,520
Total net value	**139,516**	**143,986**	**-**	**-**	**139,516**	**143,986**

AGED BALANCE

In thousands of euros	Total trade receivables due	Receivables < 1 month	Receivables 1 to 2 months	Receivables 2 to 3 months	Receivables 3 to 4 months	Receivables > 4 months
French companies	30,813	5,981	7,220	3,144	1,961	12,508
Foreign companies	12,401	2,640	5,439	1,121	724	2,475
Total (gross value)	**43,214**	**8,621**	**12,659**	**4,265**	**2,686**	**14,983**

7.5 Other receivables

In thousands of euros	Social security receivables		Tax receivables		Other receivables[1]		Total other receivables	
	06/30/2020	12/31/2019	06/30/2020	12/31/2019	06/30/2020	12/31/2019	06/30/2020	12/31/2019
Current receivables								
French companies	1,153	332	18,812	13,156	138,142	84,847	158,107	98,336
Foreign companies	193	243	2,395	2,949	837	210	3,425	3,402
Total gross value	1,346	575	21,207	16,105	138,980	85,058	161,532	101,738
Provisions	-	-	-	-	101	54	101	54
Total current receivables (net values)	1,346	575	21,207	16,105	138,879	85,004	161,432	101,684
Non-current receivables								
French companies								
Foreign companies								
Total gross value	-	-	-	-	-	-	-	-
Provisions								
Total non-current receivables (net value)	-	-	-	-	-	-	-	-

(1) *"Other receivables" include amounts generated on behalf of mutuals and insurers under outsourced management contracts totaling €137 million at June 30, 2020, and €81 million at December 31, 2019.*

7.6 Other liabilities

In thousands of euros	Currents		Non-current		Total	
	06/30/2020	12/31/2019	06/30/2020	12/31/2019	06/30/2020	12/31/2019
Advances and payment on account	312	274	-	-	312	274
Clients – unissued credits	-	-	-	-	-	-
Expenses payable	-	-	-	-	-	-
Miscellaneous payables[1]	163,840	105,632	-	-	163,840	105,632
Other liabilities	163,840	105,632	-	-	163,840	105,632
Debts on acquisition of assets	4	4	-	-	4	4
Dividends payable	1	-	-	-	1	-
Deferred income	42,723	35,390	-	-	42,723	35,390
Total other liabilities	**206,881**	**141,299**	**-**	**-**	**206,881**	**141,299**

(1) *"Miscellaneous payables" include amounts generated on behalf of mutuals and insurers under outsourced management contracts totaling €162 million at June 30, 2020, and €104 million at December 31, 2019.*

Note 8 Personnel costs and employee benefits

8.1 Employee costs

In thousands of euros	06/30/2020	06/30/2019
Payroll costs	(126,192)	(122,054)
Profit-sharing and incentives	(1,702)	(2,410)
Free share award plan	119	(29)
Provisions for employee litigation	(126)	(148)
Personnel costs	**(127,901)**	**(124,640)**

8.2 Workforce

	06/30/2020	06/30/2019
France	3,398	3,212
I International	1,768	1,570
Number of employees	**5,166**	**4,782**

8.3 Award of free shares

The Board of Directors acted on June 28, 2018, on the authorization given by the Extraordinary Shareholders' Meeting of June 19, 2018, to issue to Cegedim Group's directors and employees at no cost a total number of shares not exceeding 10% of the total number making up the share capital.

The Board of Directors acted on January 29, 2019, on the authorization given by the Extraordinary Shareholders' Meeting of June 19, 2018, to issue to Cegedim Group's directors and employees at no cost a total number of shares not exceeding 10% of the total number making up the share capital.

The Board of Directors acted on January 27, 2020, on the authorization given by the Extraordinary Shareholders' Meeting of June 19, 2018, to issue to Cegedim Group's directors and employees at no cost a total number of shares not exceeding 10% of the total number making up the share capital.

The main characteristics of these plans are as follows:

- The free shares awarded will carry the right to receive dividends, payment of which has been decided upon at their date of grant.
- The plan dated June 28, 2018, authorized a maximum award of 21,790 free shares.
- The plan dated January 29, 2019, authorized a maximum award of 22,190 free shares
- The plan dated January 27, 2020, authorized a maximum award of 37,308 free shares.
- For the 2018, 2019, and 2020 plans, the award of these shares to grantees will become final after a vesting period of two years for grantees whose residence for tax purposes is in France at the award date, and of three years for grantees whose residence for tax purposes is not in France at the award date.
- The shares will be permanently awarded to grantees subject to a single condition: no resignation, dismissal, or layoff.
- Effective the final award date, grantees whose residence for tax purposes is in France at the award date must hold their shares for a lock-up period of one year.

In application of IFRS 2, the expense measuring "the benefit" offered to employees is spread out on a linear basis over the beneficiaries' vesting period.

8.3 Award of free shares continued

The main characteristics of the plans are as follows:

Plan dated :	06/28/2018	01/29/2019	01/27/2020
Date of the General Meeting	06/19/2018	06/19/2018	06/19/2018
Date of the Board meeting	06/28/2018	01/29/2019	01/27/2020
Date of Date of plan opening	06/28/2018	01/29/2019	01/27/2020
Total number of shares that can be awarded	21,790	22,190	37,308
Initial subscription price	€34,20	€23,50	€31.40
Vesting date, France	06/28/2020	01/29/2021	01/27/2022
Vesting date, Foreign	06/28/2021	01/29/2022	01/27/2023

Position of plan as at June 30, 2020

Plan dated :	06/28/2018	01/29/2019	01/27/2020
Total number of shares awarded	2,195	21,256	31,090
Total number of shares left to be acquired	0	0	0
Adjusted acquisition price of free share award for			
France	€33.20	€22.81	€30.48
Foreign	€29.07	€19.98	€26.69

Note 9 | Investments in affiliates

9.1 Value of shares in equity method companies

Company	% owned at 06/30/2020	Profit (loss) at 06/30/2020	Group share of profit (loss) at 06/30/2020	Net share-holders' equity at 06/30/2020	Group share of total net share-holders' equity at 06/30/2020	Goodwill	Provision for risks	Leaving the scope	Net value of investments in affiliates at au 06/30/2020
Edipharm	20.00 %	208	42	284	57				57
Isiakle	50.00 %	-	-	50	25				25
Pharmazon	28.57 %	180	51	2,650	757	3,312			4,069
Millennium	49.22 %	2,115	1,041	16,161	7,954	2,859			10,813
Healthcare Gateway	50.00 %	1,045	523	1,352	676				676
Group share of investments in affiliates contributing to operating income		**3,548**	**1,656**	**20,496**	**9,469**	**6,170**	**-**	**-**	**15,639**
Infodisk	34.00 %	-	-	(701)	(238)		238		-
Total as of 06/30/2020		**3,548**	**1,656**	**19,795**	**9,231**	**6,170**	**238**	**-**	**15,639**

9.2 Change in the value of investments in equity method companies

The change in value of investments in equity method companies was as follows:

In thousands of euros	
Investments in affiliates at 01/01/2019	15,080
Distribution of dividend	(1,063)
Share of profit (loss) at 06/30/2020	1,656
Provision for risk	
Unrealized exchange gains / losses	(35)
Total	**15,639**

The group share of income from equity method companies contributed to the consolidated operating result as follows:

- Health insurance, HR and e-services division: Edipharm and Isiakle.
- Healthcare professionals division: Millennium, Pharmazon and Healthcare Gateway.

Note 10 | Intangible assets

10.1 Goodwill

As of June 30, 2020, the net value of acquisition goodwill was €186 million, compared with €193 million at December 31, 2020. The €6.7 million decrease is the result of €4.1 million of goodwill being assigned to other identifiable assets related to acquisitions made in 2019 and a €2.6 million currency impact.

The Group assigns goodwill from acquisitions within a 12-month period, taking care to gain adequate perspective before making evaluations. In practice, therefore, the allocations take place near the end of the 12-month period. Goodwill allocated in the first half of 2020 was related to the acquisition of three document digitization companies: BSV (France), Ximantix (Germany), and Net EDI (UK).

IAS 36, section 90, says that CGUs (cash generating units) to which goodwill has been assigned must be tested at least annually or whenever there is an indication of impairment. Impairment is defined as the difference between the CGU's recoverable amount and its book value. IAS 36.18 defines recoverable value as the higher of the asset's fair value less costs to sell and its value in use (the present value of the stream of income the company expects the asset to generate).

The impairment tests aim to ensure that the book value of the assets needed for business operations and assigned to each CGU (including acquisition goodwill) does not exceed their recoverable value. The recoverable value used is the value in use of the tested assets.

CGU groups	12/31/2019	Correction brought forward	Reclassific-ation	Allocation of acquisition goodwill	Deferred tax on allocation	Scope	Impairment	Translation gains or losses and other changes	06/30/2020
Health Insurance, HR & e-services	95,882	3,312		(5,374)	1,278			(655)	94,441
Healthcare professionals	96,858	(3,312)						(1,962)	91,585
Corporate and others	-								-
Total goodwill	**192,740**	**-**	**-**	**(5,374)**	**1,278**		**-**	**(2,617)**	**186,026**

The Group has deemed the Covid-19 crisis to be an indication of impairment and therefore decided to test the recoverable value of its intangible assets.

To start with, the Group looked at whether any distinct intangible assets exhibited an impairment of value.

This analysis led it to write down €4.3 million related to intangible assets of the doctor software business in the UK. The economic benefit of those assets has been delayed because health authorities put off their decision on whether to certify software publishers and open the UK market to new offerings. That said, it is worth noting that during this period of limbo caused by the Covid-19 crisis, health authorities ordered ad hoc work and finalized the adjustments required to switch over to the new contract framework. As a result, revenue stayed at a level close to what had been expected. However, because it did not come from the launch of recurring services as initially expected, the Group decided to make the isolated impairment.

Secondly, the Group looked at the risk of impairment arising from one of its operational CGUs, considering the current amount of headroom. The sensitivity analysis this time was more severe than the one conducted during the prior account-closing impairment tests in December 2019.

10.1 Goodwill continued

With respect to the financial parameters of the tests, decreasing the perpetuity growth rate by 100 basis points or increasing the discount rate by 100 basis points (vs. the 50bp usually tested) would not lead to any impairment of the Group's CGUs. Applying both of the more severe parameters would have no impact on the Health insurance, HR and e-services CGU. There would also be no impact on the Healthcare professionals CGU from a combination of a 100bp increase in the discount rate and a 50bp decrease in the perpetuity growth rate, or from a 50bp increase in the discount rate and a 100bp decrease in the perpetuity growth rate (i.e. for this CGU, growth of only 0.5%).

At current interest rates, the 100bp increase in the discount rate would mean—in practice—factoring in a very high risk premium, which the market does not appear to reflect, given that Cegedim's share price held up fairly well both at the height of the crisis and since the lockdown ended.

Trailing 12m share price performance

	03/31/2020	04/15/2020	04/30/2020	05/15/2020	05/29/2020	06/16/2020	06/30/2020
CEGEDIM	(8.81)%	(6.61)%	2.62%	0.79%	5.95%	10.45%	6.69%
CAC 40	(17.84)%	(20.88)%	(18.08)%	(19.91)%	(11.62)%	(7.73)%	(10.89)%

From an operating standpoint, for the Health insurance, HR and e-services CGU to require an asset impairment, it would have to experience either a significantly negative margin in years 2021 and 2022, or a more than 50% decrease in the normalized margin of the terminal year. Such scenarios appear highly unlikely and would be unprecedented. This CGU has substantial headroom and does not appear to indicate any impairment.

From an operating standpoint, the Healthcare professionals CGU would have to experience a nearly 70% decrease in its 2021 and 2022 margins to require any impairment. The results are more sensitive to the terminal year margin. The breakeven point would be reached in the event of a decline of more than 10%. For this CGU, we note that the underlying assumptions in the business plan require that the most recent software products and those scheduled to be launched in 2020 be on the market, include the full range of expected functionalities, without delay, and successfully penetrate—most notably—the UK market. The Group believes that the analysis that led to the €4.3 million impairment of certain isolated assets in the UK fully encapsulates, to the best of its knowledge, the uncertainty in question. We would like to emphasize that owing to the successful launch of the Maiia teleconsultation offering, there is no need to revise the assumptions used in the business plans at this point. Furthermore, the recurring portion of this CGU's business has not been affected by the crisis, and the activities predicted to experience a decline in the business plan have held up well.

In conclusion, in light of the sensitivity tests cited above and the resilience of its business activities (see Note 4 on the specific effects of the Covid-19 crisis), the Group does not expect the indications of impairment that arose in the first half of 2020 to have enough of a material impact on its business plans to warrant a risk of impairment.

Note 11 | Financing and financial instruments

11.1 Net financial debt

In thousands of euros	06/30/2020			12/31/2019		
	Financial	Miscellaneous[1]	Total	Financial	Miscellaneous[1]	Total
Long-term borrowings and financial liabilities (> 5 years)	179,418	-	179,418	189,373	-	189,373
Medium-term borrowings and financial liabilities (> 1 year, < 5 years)	10,069	6,831	16,900	156	6,165	6,321
Non-current financial debt excluding IFRS 16 debt	189,487	6,831	196,319	189,529	6,165	195,694
Short-term borrowings and financial liabilities (< 1 year)	3,674	2,273	5,947	11,380	2,581	13,961
Current bank loans	3	-	3	-	-	-
Current financial debt excluding IFRS 16 debt	3,677	2,273	5,950	11,380	2,581	13,961
Total financial liabilities	193,164	9,104	202,268	200,909	8,746	209,655
Positive cash	26,120	-	26,120	29,059	-	29,059
Net financial debt excluding IFRS 16	**167,044**	**9,104**	**176,148**	**171,850**	**8,746**	**180,596**
Non-current IFRS 16 debt	56,425	-	56,425	52,413	-	52,413
Current IFRS 16 debt	14,186	-	14,186	13,507	-	13,507
Net financial debt	**237,655**	**9,104**	**246,759**	**237,770**	**8,746**	**246,516**

(1) The miscellaneous items include employee profit-sharing plans in the amount of c.€7,152,000 at June 30, 2020 and c.€6,524,000 at December 31, 2019.

11.2 Net cash

In thousands of euros	06/30/2020	12/31/2019
Current bank loans	3	-
Positive cash	26,120	29,059
Net cash	**26,117**	**29,059**

11.3 IFRS 16 debt

In thousands of euros	Less than 1 year	> 1 year < 5 years	Over 5 years
IFRS 16 debt	14,186	46,532	9,893
Total	**14,186**	**46,532**	**9,893**

IFRS 16 debt amounted to 71 million euros at June 30, 2020.

11.4 | Statement of changes in net debt

In thousands of euros		06/30/2020	12/31/2019
Net debt at the beginning of the period	**A**	**246,516**	**107,965**
Operating cash flow before cost of net debt and taxes		(34,653)	(95,906)
Tax paid		2,140	2,190
Change in working capital requirement		(18,138)	64,455
Net cash flow from operating activities		**(50,651)**	**(29,261)**
Change from investing activities		34,787	52,893
Impact of changes in consolidation scope		-	25,378
Dividends		(79)	(1,883)
Capital increase in cash		-	-
Impact of changes in foreign currency exchange rates		154	(253)
Interest paid on loans		262	5,237
Other financial income and expenses paid or received and interest on lease obligations		1,114	2,696
IFRS 16		12,212	82,227
Other changes		2,444	(564)
Total net change for the period	**B**	**243**	**136,469**
Impact of companies consolidated for the first time	C	-	2,082
Impact of companies sold	D	-	-
Net debt at the end of the period	A+B+C+D	**246,759**	**246,516**

11.5 | Cost of net debt

In thousands of euros	06/30/2020	06/30/2019
Income or cash equivalent	**35**	**52**
Interest paid on borrowings	(262)	(245)
Accrued interest on borrowings	(2,362)	(2,362)
Interest on financial liabilities	**(2,624)**	**(2,607)**
Other interest and financial expenses (1)	(943)	(1,042)
Interest paid on lease liabilities	(699)	(738)
Cost of gross financial debt	**(4,266)**	**(4,387)**
Net foreign exchange gains and losses	(281)	(124)
Valuation of financial instruments	76	74
Other	(130)	(75)
Other financial income and expenses	**(335)**	**(125)**
Cost of net financial debt	**(4,566)**	**(4,460)**

In thousands of euros	06/30/2020	06/30/2019
(1) Including FCB interest	(652)	(648)
Interest on employee profit sharing	(189)	(186)
Total	**(841)**	**(834)**

11.6 | Banks loans terms

The banks loans have the following terms:

In thousands of euros	Less than 1 month	> 1 year < 5 years	Over 5 years
Euribor 1-month rate	3,674	10,069	179,418
Total	**3,674**	**10,069**	**179,418**

11.7 | Liquidity risk

Contractual cash flows are not discounted.
When there is a fixed rate, the rate is used to calculate future interest payments.
The lenders (banks and bondholders) must approve transactions worth over €50 million per fiscal year.
If the leverage ratio exceeds 2 times, the lenders (banks and bondholders) must approve the contemplated transaction.

11.8 Financing

In May 2007, Cegedim borrowed €50.0 million, the FCB Loan, from its largest shareholder, FCB. During the December 2009 capital increase, FCB subscribed for €4.9 million equivalent in shares as a redemption of a portion of the debt, which decreased the balance of the FCB Loan to €45.1 million. On October 9, 2018, the FCB Loan was amended in order to subordinate it to the €135 million Euro PP bond and to the €65 million new bank revolving credit, to extend the maturity date, and to modify the applicable interest rate.

On October 8, 2018, Cegedim issued a private placement Euro PP maturing on October 8, 2025, for an amount of €135 million.

On October 9, 2018, the Group arranged a bank revolving credit facility (RCF) of €65 million maturing on October 9, 2023, with a one-year extension option. Cegedim asked to exercise the extension option in December 2019 and the banks agreed. The RCF maturity date is now October 9, 2024.

At June 30, 2020, the debt was structured in the following manner:

- 135 million Euro PP maturing on October 8, 2025;
- €65 million revolving credit, of which €10 million was drawn, maturing on October 9, 2024;
- €45.1 million FCB Loan maturing on November 20, 2025;
- €24.0 million overdraft facility, of which €0.0 million was drawn.

During H1 2020, client advances at the health insurance BPO business positively impacted the cash position by €2.6 million.

It worth noting that liquid assets include €22.6 million of commitments related to the health insurance BPO activity (outsourced management of health benefit payments).

Exposure of the debt to fluctuations in euro interest rates has been partially hedged by a euro rate hedge.

As of June 30, 2020, the Group's hedging against euro interest rate movements consists of two zero-premium swaps in which it receives the one-month Euribor rate if it exceeds 0%, receives nothing otherwise, and pays fixed rates of:

- 0.2680% for a notional amount of €50 million, starting on February 28, 2017, and maturing February 26, 2021.
- 0.2750% for a notional amount of €30 million, starting on May 31, 2017, and maturing December 31, 2020.

The notional amount hedged at June 30, 2020, is €80.0 million.

Interest expense on bank loans, bonds, charges, and commissions totaled €0.3 million at June 30, 2020.

Interest on the shareholder loan at June 30, 2020, amounted to €0.7 million.

The change in the fair value of these derivatives was recognized in equity in respect of the effective portion of those eligible as cash flow hedges (amount not significant) and in profit or loss in respect of the ineffective portion and the related counterparty risk taken into account in accordance with IFRS 13 (amount not significant). The fair value of hedging instruments at the closing date amounts to €0.09 million.

Note 12 | Change in working capital requirement

Change in working capital requirement

In thousands of euros	06/30/2020	12/31/2019	06/30/2019
Inventories	(418)	(1,756)	(814)
Trade receivables and prepaid expenses	2,415	(43,839)	(15,852)
Social contributions and tax receivable	(4,476)	(23)	118
BPO business advances	2,636	(25,610)	(31,313)
Others	(222)	(4,319)	(5,197)
Impact of the change in trade and other debtors	(65)	(75,548)	(53,058)
Accounts payable and prepaid income	2,258	(8,082)	(2,487)
Social contributions and tax payable	(11,099)	(305)	6,606
Others	(9,362)	(2,706)	(9,593)
Impact of the change in trade and other creditors	(18,203)	(11,093)	(5,474)
Net	18,138	(64,455)	(47,584)

Postponement of rent and social charge payments had a €15 million positive impact on WCR.

Note 13 | Lease contracts

The Group has applied the IFRS 16 exemption permitting it not to recognize right-of-use assets and lease liabilities on the balance sheet for certain short-term leases (i.e. leases with a term of 12 months or less at their date of inception, with no extension option) and leases covering low-value assets (chiefly IT equipment leases). The corresponding lease payments amounted to €2 million at June 30, 2020, and were recognized in external expenses as in previous financial years.

The trend in right-of-use assets and lease liabilities in H1 2020 is as follows:

13.1 Right-of-use assets of lease contracts

In thousands of euros	Real estate	Equipment	Total
Gross value			
12/31/2019	71,527	6,296	**77,823**
06/30/2020	82,838	6,386	**89,224**
Depreciation & amortization			
12/31/2019	(11,958)	(1,327)	**(13,285)**
06/30/2020	(18,437)	(1,916)	**(20,353)**
Net value			
12/31/2019	59,569	4,969	**64,538**
06/30/2020	64,401	4,470	**68,871**

13.2 Lease debt

As of June 30, 2020, lease contract debt amounts to c.€70,611,000: the long-term portion amounts to c.€56,425,000 and the short-term portion, to c.€14,186,000.

The change in the debt can be explained as follow :

In thousands of euros	
Debt as of 12/31/2019	**65,920**
New contracts	10,612
Repayment of leases obligations	(7,521)
Others	1,600
Debt as of 06/30/2020	**70,611**

Note 14 | Income tax

14.1 Deferred tax

Tax breakdown
The tax expense recognized in income was €212 million at June 30, 2020, compared with €2.082 million at June 30, 2019. This comprised:

In thousands of euros	06/30/2020	06/30/2019
Tax paid		
France	(323)	(1,762)
Abroad	(193)	(152)
Total tax paid	**(516)**	**(1,914)**
Deferred tax		
France	544	124
Abroad	(240)	(292)
Total deferred taxes	**304**	**(168)**
Total tax income recognized in the income statement	**(212)**	**(2,082)**

14.1 Deferred tax continued

Deferred tax assets and liabilities

Analysis by category of the change over time of the net deferred tax position recognized in the balance sheet (before offsetting by fiscal entities with deferred tax assets and liabilities).

In thousands of euros	12/31/2019	Reclassification and correction brought forward	Profit (loss)	Change in consolidation scope	Other change in equity	Change in exchange rates	06/30/2020
Tax loss carryforwards	20,000						20,000
Retirement benefit commitments	7,524		348		5		7,878
Non-deductible provisions	3,323		(140)				3,183
Fair value adjustment to financial instruments	64		(26)		(9)		28
Finance lease	365		99				464
Elimination of internal capital gain	168		(19)				149
Restatement of R&D margin	755		138				894
Others	230		38				268
Total deferred tax assets	32,429	-	439	-	(4)	-	32,864
Unrealized exchange gains/losses	0		(543)			543	0
Fair value adjustment to financial instruments	0						0
R&D capitalization	(7,404)		3				(7,401)
Restatement of the allowance for the R&D margin	(229)		(52)				(281)
Intangible assets	(602)	(1,277)	473				(1,407)
Others	(452)		(16)				(468
Total deferred tax liabilities	(8,689)	(1277)	(134)	-	-	543	(9,557)
Net deferred tax	**23,741**	**(1,277)**	**304**	**-**	**(4)**	**543**	23,307

The recognition of deferred tax assets from tax loss carryforwards amounts to €20 million. We estimate that it will take an average of 4 years for the fully consolidated French companies to recover those assets. The table below illustrates the change in deferred taxes recognized on the consolidated balance sheet after offsetting by fiscal entities for deferred tax assets and liabilities:

In thousands of euros	Assets	Liabilities	Net
At December 31, 2019	**31,748**	**(8,009)**	**23,740**
Impact on profit (loss) for the period	439	(134)	304
Impact on OCI	(4)	-	(4)
Impact of shareholders' equity	-	543	543
Impact of net reporting by fiscal entity	24	(23)	1
Reclassification	-	(1,277)	(1,277)
At June 30, 2020	**32,207**	**(8,900)**	**23,307**

Tax corresponding to tax loss carryforwards not recognized from continuing activities at June 30, 2020, amounts to c.€40,669,000 for French companies and c.€17,062,000 for foreign companies.

Note 15 | Equity

15.1 Equity

At June 30, 2020, share capital was made up of 13,997,173 shares (including 171,139 treasury shares), each with a nominal value of €0.9528, i.e. total share capital of €13,336,506.

Note 16 | Other disclosures

16.1 Seasonality

The business activities of the Group are somewhat seasonal due to its software publishing activity.
Over the year, the Group generates slightly more revenue in the second half than in the first half.
The proportion of EBITDA[1] generated in the second half of the year is generally much higher than the EBITDA[1] generated during the first half of the year.
This is largely due to the seasonal nature of Cegedim clients' decision-making processes.
In particular, **the Health insurance, HR & e-services** and **Healthcare professionals** divisions are characterized by a certain seasonality effect, as some customers buy the Group's products and services at the end of the year to ensure that they fully spend their annual budgets.

(1) See Section 3.6, Note 2 on Alternative performance indicators and Note 6 "Segment reporting".

16.2 Off-balance sheet commitments

The change in guarantees between December 31, 2019, and June 30, 2020, was not material.

16.3 Litigations

There were no significant events related to litigation in the first half. As a reminder, ongoing litigation includes:

The Euris lawsuit

Cegedim, jointly with IQVIA (formerly IMS Health), is being sued by Euris for unfair competition. Cegedim asked the court to dismiss the case against the Group. On December 17, 2018, the Paris Commercial Court granted Cegedim's request. IQVIA has appealed the decision. The cross-appeal was ruled to be admissible in a decision issued September 9, 2020. As a result, Cegedim will be obliged to relitigate the fundamental argument that won the lower court case. Euris is asking for €150 million in damages. After consulting with its external legal counsel, the Group has decided not to set any provisions aside to cover the risk.

Tax

On February 21, 2018, Cegedim SA received official notice that the French tax authorities planned to perform an audit of its financial statements for the period from January 1, 2015, to December 31, 2016. After consultation with its lawyers and based on ample precedent, the Group believes that the adjustment is unwarranted. By appealing the case, we were able to obtain tax relief that brings the maximum possible amount of back taxes owed at June 30, 2020, to €8.5 million (vs. €9 million). Regarding the other points of disagreement, the Group has decided to explore its options for recourse before requesting an appeal. Cegedim still believes that there is not enough risk with respect to past deferred tax assets or to tax loss carryforwards recorded on its balance sheet as of June 30, 2020, (corresponding to €20 million of deferred tax) to jeopardize their valuation.

Note 17 | Significant post-closing transactions and events (post June 30, 2020)

No significant events occurred between June 30, 2020, and September 24, 2020, when the Board of Directors authorized the condensed consolidated interim financial statements for issue.

3.7 | Statutory Auditors' report on the half-yearly financial information

Statutory Auditors' report on the half-yearly financial information

Period from January 1, 2020 to June 30, 2020

This is a free translation into English of the Statutory Auditors' review report issued in French and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the shareholders,

In compliance with the assignment entrusted to us by your General Meeting of Shareholders and under the terms of article L.451-1-2 III of the French Monetary and Financial Code, we have:

- performed a limited review of the condensed interim consolidated financial statements of CEGEDIM S.A. for the period from January 1, 2020 to June 30, 2020, as attached to this report;
- verified the data provided in the interim activity report.

These condensed interim consolidated financial statements have been prepared under the responsibility of the Board of Directors. The condensed consolidated interim financial statements approved by the Board of Directors at their September 24, 2020, meeting were created based on information available at that date, in a changing environment owing to the Covid-19 crisis and to difficulty gauging its impact and the current outlook. Our role is to express a conclusion based on our review of these financial statements.

I - Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France. A limited review consists of holding discussions with the senior executives responsible for accounting and finances, and applying analytical procedures. As the scope of a review is less than that of an audit conducted in accordance with professional standards applicable in France, we provide moderate assurance that the financial statements, in their totality, are free of material misstatement. This level of assurance is lower than that provided in a full audit.

In our limited review, we found no material misstatement that would cast doubt on the condensed interim consolidated financial statements' compliance with IAS 34—the IFRS standard adopted by the EU for interim financial information.

II – Specific verification

We also verified the information provided in the interim activity report, dated bSeptember 24, 2020, that accompanies the condensed interim consolidated financial statements we reviewed.

We have no remarks to make regarding the sincerity and consistency of this information with the condensed interim consolidated financial statements.

Paris La Défense, September 24, 2020	Paris La Défense, September 24, 2020
KPMG S.A.	Mazars
Vincent de Becquevort	Jean-Philippe Mathorez
Partner	*Partner*

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