cegedim

PRESS RELEASE

First-half financial information at June 30, 2019
IFRS – Regulated information – Audited

Cegedim: Revenues and profit margin improved in the first half of 2019

- First-half revenues rose 8.0%
- First-half EBIDTA(1) grew 12.9% before the IFRS 16 impact
- BPO business increased by 20.3%
- 2019 revenue and EBITDA targets revised

Disclaimer: This press release is available in French and in English. In the event of any difference between the two versions, the original French version takes precedence. This press release may contain inside information. It was sent to Cegedim's authorized distributor on September 19, 2019, no earlier than 5:45 pm Paris time.

The terms "business model transformation" and "BPO" are defined in the glossary.

Cegedim has applied IFRS 16 Leases for the first time in its condensed consolidated interim financial statements for the six months ended June 30, 2019. Applying this new standard—which supersedes IAS 17 Leases—had a material impact on Cegedim's consolidated financial statements given the importance of leases to the Group's activities.

The Group elected to use the "modified retrospective" approach for its transition to IFRS 16, under which entities are not authorized to restate prior-period comparative financial information. Consequently, the first-half 2019 income statement is presented differently than the Group's prior-period income statements. Please refer to Annex 2 for more details.

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Boulogne-Billancourt, France, September 19, 2019, after the market close

Cegedim, an innovative technology and services company, posted consolidated, H1 2019 revenues of €245.8 million, up 8.0% on a reported basis and 6.4% like for like compared with the same period in 2018. First-half EBITDA(1) came to €45.5 million, up 36.5% year on year. EBITDA(1) margin improved from 14.6% a year earlier to 18.5% in H1 2019. Restated for the €7.9 million positive impact of the initial application of IFRS 16, EBITDA(1) came to €37.6 million. The restated EBITDA(1) margin improved from 14.6% a year earlier to 15.3% in H1 2019.

In like-for-like terms, revenue improved at both operational divisions. The *Health insurance, HR and e-services* division gained 6.9% and the *Healthcare professionals* division, 5.9%

The €4.3 million EBITDA(1) increase, restated for the positive impact of the initial application of IFRS 16, reflected the €5.7 million EBITDA(1) increase at the *Healthcare professionals* division, partly offset by decreases of €1.0 EBITDA(1) at the *Health insurance, HR and e-services* division and €0.4 million at the *Corporate and others* division.

(1) See Annex 3 – Alternative performance indicators.

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Income statement summary

	H1 2019 IFRS 16		H1 2018 IAS 17		Chg.
	€m	%	€m	%	%
Revenues	**245.8**	100.0	**227.6**	100.0	**+8.0%**
EBITDA	**45.5**	18.5%	**33.3**	14.6%	+36.5%
Depreciation & amortization	**(32.8)**	(13.4)%	**(21.4)**	(9.4)%	+53.6%
Recurring operating income	**12.6**	5.1%	**11.9**	5.2%	**+5.8%**
Other non-recurring operating income and expenses	**(16.3)**	(6.6)	**(9.6)**	(4.2)%	+69.0%
Operating income	**(3.6)**	(1.5)%	**2.3**	1.0%	**n.m.**
Cost of net financial debt	**(4.5)**	(1.8)%	**(2.2)**	(1.0)%	+100.7%
Tax expenses	**(2.1)**	(0.8)%	**(0.8)**	(0.3)%	+176.7%
Consolidated net profit from continuing activities	**(10.2)**	(4.1)%	**(0.7)**	(4.0%	**n.m.**
Net earnings from activities sold	**-**	-	**1.3**	0.6%	n.m.
Profit attributable to the owners of the parent	**(10.2)**	**n.m.**	**0.7**	**0.3%**	**n.m.**
Recurring EPS	**(0.4)**	-	**0.2**	-	n.m.
EPS	**(0.7)**	-	**0.0**	-	n.m.

- **Consolidated P&L impact of IFRS 16 in the first half of 2019**

In € million	**06/30/2019** *IFRS 16* **Reported**	**06/30/2019** *IAS 17* **Restated**	**06/30/2018** *IAS 17* **Reported**	**Change** *IAS 17* **%**
Revenue	**245.8**	**245.9**	**227.6**	**+8.0%**
Purchases used	(15.3)	(15.3)	(15.4)	(0.7)%
External expenses	(55.7)	(63.5)	(58.5)	+8.6%
Payroll costs	(124.5)	(124.5)	(114.6)	+8.7%
Other operating income and charges	(4.9)	(4.9	(5.9)	(17.1)%
Depreciation and amortization expenses	(32.8)	(25.1)	(21.4)	+17.4%
Other non-recurring operating income and expenses	(16.3)	(16.3)	(9.6)	+69.0%
Operating income	**(3.6)**	**(3.7)**	**2.3**	**n.m.**
as % of revenue	*(1.5)%*	*(1.5)%*	*1.0%*	-
Cost of net financial debt	(4.5)	(3.7)	(2.2)	+67.4%
Total taxes	(2.1)	(2.3	(0.8)	+200.2%
Consolidated profit (loss)	**(10.2)**	**(9.7)**	**0.7**	**n.m.**
Group share	**(10.2)**	**(9.7)**	**0.7**	**n.m.**

- **IAS 17-adjusted non-IFRS financial indicators for 2019**

In € million	**06/30/2018** Reported	**06/30/2019** IAS 17	**06/30/2019** IFRS 16	**Change** IAS 17 **%**
Recurring operating income	**11.9**	**12.5**	**12.6**	**+5.0%**
as % of revenue	5.2%	5.1%	5.1%	-
EBITDA	**33.3**	**37.6**	**45.5**	**+12.9%**
as % of revenue	14.6%	15.3%	18.5%	-

The impact of applying IFRS 16 to operating income, recurring operating income and net profit is not significant.

Revenue increased by €18.2 million, or 8.0%, to €245.8 million in H1 2019, compared to €227.6 million for H1 2018. Excluding a favorable currency translation effect of 0.2% and a 1.3% boost from acquisitions, revenue rose 6.4%. In H1 2019, on a like-for-like basis, the ***Health insurance, HR and e-services*** division grew by 6.9% and the ***Healthcare professionals*** division, by 5.9%.

EBITDA[1] increased by €12.2 million, or 36.5%, to €45.5 million in H1 2019, compared with €33.3 million in H1 2018. EBITDA represented 18.5% of consolidated revenue in H1 2019, compared with 14.6% in H1 2018. Restated for the positive €7.9 million impact of the initial application of IFRS 16, the increase amounted to €4.3 million, or 12.9%.

Depreciation and amortization expenses increased by €11.5 million to €32.8 million in H1 2019, compared with €21.4 million in H1 2019. Restated for the negative €7.8 million impact of the initial application of IFRS 16, the increase amounted to €3.7 million, or 17.4%. The increase was also attributable to the €1.4 million increase in the amortization of capitalized R&D expenses over the period.

Recurring operating income (REBIT)[1] increased by €0.7 million, or 5.8%, to €12.6 million in H1 2019, compared with €11.9 million in H1 2018. The H1 2019 figure represented 5.1% of revenue, compared with 5.2% in H1 2018. Applying IFRS 16 to recurring operating income had no material impact.

Other non-recurring operating income and expenses[1] amounted to a net charge of €16.3 million in H1 2019 compared with a net charge of €9.6 million in H1 2018. The H1 2019 figure arose mainly from the disposal of virtually all the business activities of Pulse System Inc, which led to a €2.5 million impairment of goodwill and a €12.3 impairment of capitalized R&D.

Cost of net financial debt increased by €2.2 million to €4.5 million in H1 2019, compared with €2.2 million in H1 2018. This increase reflects the positive impact of refinancing transactions carried out in H2 2018.

Tax amounted to a charge of €2.1 million in H1 2019 compared with a charge of €0.8 million in H1 2018. The main factors were an increase in corporate income tax on foreign subsidiaries and a decrease in deferred tax asset on French subsidiaries.

As a result, **consolidated net profit** came to €10.2 million loss in H1 2019 compared with a profit of €0.7 million in H1 2018. **Recurring net profit per share** came to a loss of €0.4 in H1 2019 compared to a profit of €0.2 in H1 2018. **Earnings per share** were a loss of €0.7 in H1 2019 compared with a profit of €0.0 a year earlier.

Analysis of business trends by division

- **Key figures by division**

Reported	Revenues		REBIT[1]		EBITDA[1]	
	H1 2019	H1 2018	**H1 2019**	H1 2018	**H1 2019**	H1 2018
In € million	*IFRS 16*	*IAS 17*	*IFRS 16*	*IAS 17*	*IFRS 16*	*IAS 17*
Health insurance, HR and e-services	162.5	149.5	10.7	13.4	26.7	24.2
Healthcare professionals	81.6	76.2	2.9	(0.9)	14.9	6.9
Corporate and others	1.7	1.9	(1.0)	(0.6)	3.9	2.2
Cegedim	**245.8**	**227.6**	**12.6**	**11.9**	**45.5**	**33.3**

IFRS 16-restated H1 2019	Revenues		REBIT[1]		EBITDA[1]	
	H1 2019	H1 2018	**H1 2019**	H1 2018	**H1 2019**	H1 2018
In € million	*IAS 17*	*IAS 17*	*IAS 17*	*IAS 17*	*IAS 17*	*IAS 17*
Health insurance, HR and e-services	162.5	149.5	10.6	13.4	23.2	24.2
Healthcare professionals	81.6	76.2	2.9	(0.9)	12.6	6.9
Corporate and others	1.7	1.9	(0.9)	(0.6)	1.8	2.2
Cegedim	**245.8**	**227.6**	**12.5**	**11.9**	**37.6**	**33.3**

- **Health insurance, HR and e-services**

The division's reported revenues rose 8.7% in the first half of 2019 to €162.5 million. Acquisitions—mainly *BSV* and *Ximantix*—accounted for 1.7 percentage points. Currencies had virtually no impact. Like-for-like revenues rose 6.9% over the period.

The businesses that made the biggest contributions to this growth in H1 were—in the health insurance sector—BPO and third-party payment flow processing activities, *Cegedim Health Data* (data and analytics for the healthcare market), *Cegedim e-business* (document and process digitization), and *Cegedim SRH* (HR management solutions).

EBITDA increased by €2.4 million, or 10.1%, to €26.7 million over H1 2019, compared with €24.2 million in H1 2018. The H1 2019 figure represented 16.4% of revenue, compared with 16.2% in H1 2018. Restated for the positive €3.4 million impact of the initial application of IFRS 16, EBITDA decreased by €1.0 million, or 4.1%.

This decline reflects the strong growth in BPO activities, particularly following the start of the BCAC contract at the beginning of the year and the development of *Cegedim e-business*.

- **Healthcare professionals**

The division's reported revenues rose 7.1% in the first half of 2019 to €81.6 million. Currency translation had a positive impact of 0.7 percentage points. Acquisitions had a positive impact of 0.5 percentage points. Like-for-like revenues rose 5.9% over the period.

The businesses that made the biggest positive contributions in H1 were computerization solutions for doctors and allied health professionals in France and for doctors in the UK, and for doctors and pharmacists in Romania.

EBITDA increased by €8.0 million, or 116.1%, to €14.9 million over H1 2019, compared with €6.9 million in H1 2018. The H1 2019 figure represented 18.3% of revenue, compared with 9.1% in H1 2018. Restated for the positive €2.3 million impact of the initial application of IFRS 16, the increase amounted to €5.7 million, or 82.1%.

This increase in EBITDA was mainly due to the positive performances of doctor computerization activities in the UK, France, Spain, and the US, of pharmacist computerization activities in France, and of the medication database business (BCB), partly offset by the start-up of the Docavenue business.

- **Corporate and others**

The division's reported revenues fell 10.9% as reported and like for like in the first half of 2019, to €1.7 million. Currencies and acquisitions had no impact.
EBITDA increased by €1.7 million to €3.9 million over H1 2019, compared with €2.2 million in H1 2018. Restated for the positive €2.1 million impact of the initial application of IFRS 16, the EBITDA decreased by €0.4 million.

Balance sheet structure

The consolidated total balance sheet amounted to €745.6 million at June 30, 2019, a €97.5 million, or 15.0%, increase over December 31, 2018. This increase included €67.0 million related to the application of IFRS 16 as of January 1, 2019, with right-of-use assets relating to leases with fixed lease payments recognized as assets in the balance sheet, offset against lease liabilities which were recognized as liabilities in the balance sheet.

Acquisition goodwill represented €180.5 million at June 30, 2019, compared with €173.0 million at end-2018. The €7.5 million increase, or 4.3%, was chiefly attributable to the €10.7 million impact of the acquisition of *BSV* and *RDV médicaux* in France and *Ximantix* in Germany, and was partly offset by the €2.5 million of impairment related to the disposal of virtually all of Pulse Systems Inc's assets. Acquisition goodwill represented 24.2% of the total balance sheet at June 30, 2019, compared with 26.7% on December 31, 2018.

Cash and equivalents decreased by €54.9 million compared with December 31, 2018, to €26.2 million at June 30, 2019. The decrease was chiefly attributable to a requirement of €47.6 million in working capital and to €40.8 million of investments. Of the increase in working capital requirement, €14.9 million was due to the cancellation of factoring arrangements and €31.3 million was due to the negative trend in advances paid by clients at the health insurance BPO business, of which €15.8 million were classified as current client receivables to reflect the specific clauses of a significant contract. The outflow related to investment activities included €24.6 million of R&D capitalization and a €10.9 million of impact from changes in consolidation scope. It worth noting that the liquid assets presented on the balance sheet include €17.3 million of commitments related to the BPO activity in health insurance (delegated management of payment of health benefits).

Equity fell by €9.8 million, or 4.9%, to €189.2 million at June 30, 2019, compared with €199.0 million at December 31, 2018. Equity represented 25.4% of total assets at June 30, 2019, compared with 30.7% at June 30, 2018.

Total net financial liabilities[1] amounted to €232.6 million, up €124.6 million compared with six months ago. They represented 123% of shareholders' equity at June 30, 2019, restated for the IFRS 16 liabilities, the net financial liabilities came to €165.1 million and represented 87% of shareholder's equity at June 30, 2019, compared to 54% at December 31, 2018.

Cash flow after cost of net financial debt and taxes came to €36.6 million at June 30, 2019, compared with €26.0 million at June 30, 2018.

Highlights

Apart from the items cited below, to the best of the company's knowledge, there were no events or changes during the period that would materially alter the Group's financial situation.

- **Acquisition of XimantiX in Germany**

On January 21, 2019, *Cegedim* acquired German company *XimantiX*. Building on its presence in the digitalization markets in Belgium, France, the UK, and Morocco, *Cegedim* now has a solid base for this activity in Germany, Europe's leading economy. By acquiring a German leader positioned on the midmarket segment, *Cegedim e-business* will be able to develop its offer for SMEs. *XimantiX* customers will gain access to a wider range of services, thanks to *Cegedim's* international scope.

XimantiX's 2018 revenues came to €2.2 million, and it earned a profit. It began contributing to the Group's consolidation scope in January 2019.

- **Acquisition of RDV médicaux in France**

On February 20, 2019, *Cegedim* acquired French company *RDV Médicaux*, an online appointment scheduling site whose close collaboration with hotlines gives it a unique positioning. This deal clearly reaffirms *Docavenue's* ambition to help healthcare professionals focus on patient care by offering innovative services that are 100% designed to improve the French healthcare system.

RDV Médicaux's 2018 revenues came to €0.6 million. It began contributing to the Group's consolidation scope in March 2019.

- **Acquisition of BSV in France**

On January 31, 2019, *Cegedim* acquired *BSV Electronic Publishing*, the leading provider of invoice digitization solutions to French municipalities and widely respected for its successful Electronic Document Management System (EDMS). BSV's ZeDOC software suite includes electronic document management—a dynamic data capture tool that sets it apart from a conventional EDMS based on document indexing—Optical Character Recognition (OCR) and Automatic Document Recognition (ADR).

BSV Electronic Publishing generated revenue of €1.2 million in 2018. It began contributing to the Group's consolidation scope in February 2019.

- **Euris litigation**

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 that decision. Euris is claiming €150 million in damages. After consulting its external legal counsel, the Group has decided not to set aside any provisions.

Significant post-closing transactions and events

Apart from the items cited below, 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.

- **Acquisition of Cosytec in France**

In July 2019 *Cegedim* acquired French company *Cosytec*, which was founded in 1990 and sells HR and equipment planning software that uses constraint programming technology. *Cosytec's* offerings will augment *Cegedim SRH's* product range.

The company's client base is made up of SMEs and large corporations in the media, transportation, and services sectors.

Cosytec generated revenues of €1.3 million in 2018 and earned a profit. It began contributing to the Group's consolidation scope in August 2019.

- **Acquisition of NetEDI**

In August 2019 *Cegedim* acquired UK company NetEDI, a major provider of e-procurement (using the PEPPOL EDI system) and e-invoicing for the UK National Health System. Building on the *BSV* and *Ximantix* acquisitions, the addition of NetEDI strengthens *Cegedim e-business'* ability to work with its clients internationally.

NetEDI generated revenues of €2.8 million in 2018 and earned a profit. It began contributing to the Group's consolidation scope in August 2019.

- **Business activities of Pulse Inc sold**

In August 2019, *Cegedim* sold virtually all the business activities of its wholly owned subsidiary, Pulse Systems Inc., to CareTracker Inc., an affiliate of N. Harris. Under the terms of the sale, Pulse's software solutions and services, RCM services, all customer contracts, a portion of supplier contracts, and much of its personnel were transferred to the buyer.

As part of a group with a solid foundation in North America, Pulse will have all the resources it needs to successfully pursue its development. The deal will allow *Cegedim* to focus its efforts on Europe and the UK, and to improve its financial position.

The divestment resulted in asset impairment of €16.3 million. Pulse contributed €11.3 million to the Group's consolidated 2018 revenues and €5.6 million to H1 2019 revenues. In H1 2019, Pulse's contribution to group EBITDA was insignificant and its contribution to operating income was negative €18.2 million. Pulse Systems Inc. will be wound up in the coming months.

- **Director appointed to Cegedim SA's board**

At the annual general meeting on August 30, 2019, shareholders appointed Ms. Catherine Abiven to a six-year term as a director. Her term will expire following the AGM held to approve the financial statements for the year 2024.

- **Tax**

On February 21, 2018, *Cegedim S.A.* received notice that French tax authorities would perform an audit of its accounts covering the period January 1, 2015, to December 31, 2016. The Group received the statement of tax adjustment on April 16, 2019. *Cegedim* replied on June 14, 2019, and based on its reply, the tax authorities rescinded the first proposal and made a second proposal on September 9, 2019. *Cegedim* is working with its lawyers to prepare its response. Based on ample precedent, the Group believes that the adjustment is unwarranted. As a result, *Cegedim* believes that there is little risk posed to the amount of deferred tax assets recorded on its balance sheet and has decided not to make any revisions.

Outlook

Based on its H1 2019 performances, the Group is upgrading its outlook for 2019 and now expects like-for-like revenue and EBITDA growth to be higher than 5%.

In H2 2019, the Group does not expect any significant acquisitions and is not issuing any earnings estimates or forecasts.

- **Potential impact of Brexit**

In 2018, the UK accounted for 10.0% of consolidated Group revenues from continuing activities and 9.9% of consolidated Group EBIT.

Cegedim deals in local currency in the UK, as it does in every country where it is present. Thus, Brexit is unlikely to have a material impact on Group EBIT.

With regard to healthcare policy, the Group has not identified any major European programs at work in the UK, and no contracts with entities in the UK contain clauses dealing with Brexit.

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 press release is issued and naturally entails risks and uncertainty. For more information on the risks facing Cegedim, please refer to Chapter 2, points 2.5, "Risk factors and insurance", and 2.7, "Outlook", of the 2018 Registration Document filled with the AMF on March 29, 2019, under number D.19-0230.

Additional information

The Audit Committee met on September 17, 2019, and the Board of Directors—chaired by Jean-Claude Labrune—met on September 18, 2019, to review the consolidated financial statements for the first half of 2019. The statutory auditors conducted a limited review of the financial statements. The statutory auditors' report is dated September 19, 2019. The 2019 Interim Financial Report is available on our website and on Cegedim IR, the Group's financial communications app.

Cegedim Group earnings take into account the initial application of IFRS 16 on January 1, 2019. The main impacts are presented in Annex 2.

2019 Financial calendar

September 20, 2019, at 11:30 am CET	Analyst meeting (SFAF) in SFAF's offices
October 24, 2019, after the market close	Third quarter 2019 revenues

The H1 2019 earnings presentation is available at:

- The website: https://www.cegedim.com/finance/documentation/Pages/presentations.aspx
- The Group's financial communications app, Cegedim IR. To download the app, visit: http://www.cegedim.fr/finance/profil/Pages/CegedimIR.aspx..

Annex 1: Financial statement as of June 30, 2019

- **Assets as June 30, 2019**

In thousands of euros	***06/30/2019***	*12/31/2018*
Goodwill on acquisition	**180,478**	**173,024**
Development costs	36,794	13,103
Other intangible fixed assets	114,541	143,606
Intangible fixed assets	**151,335**	**156,709**
Property	544	544
Buildings	3,259	3,554
Other tangible fixed assets	29,440	29,306
Construction work in progress	90	11
Right-of-use assets	66,883	
Tangible fixed assets	**100,216**	**33,416**
Equity investments	1,214	1,214
Loans	13,425	13,425
Other long-term investments	6,747	6,318
Long-term investments – excluding equity shares in equity method companies	**21,386**	**20,957**
Equity shares in equity method companies	10,848	10,486
Government – Deferred tax	28,645	28,196
Accounts receivable: long-term portion	45	87
Other receivables: long-term portion	698	562
Prepaid expenses: long-term portion	460	530
Non-current assets	**494,111**	**423,966**
Services in progress	3,479	-
Goods	1,070	2,670
Advances and deposits received on orders	**113,141**	268
Accounts receivables: short-term portion	94,375	97,278
Other receivables: short-term portion	3	33,318
Cash equivalents	0	152
Cash	26,157	80,939
Prepaid expenses	13,303	9,516
Current Assets	**251,529**	**224,142**
Total Assets	**745,640**	**648,108**

The Group applied IFRS 16 for the first time on January 1, 2019, under the modified retrospective approach, which does not require restatement of the comparative figures for 2018.

- **Liabilities and shareholders' equity as of June 30, 2019**

In thousands of euros	***06/30/2019***	*12/31/2018*
Share capital	13,337	13,337
Group reserves	191,466	185,287
Group exchange gains/losses	(5,587)	(5,613)
Group earnings	(10,180)	5,771
Shareholders' equity, Group share	**189,036**	**198,781**
Minority interests	164	175
Shareholders' equity	**189,200**	**198,957**
Long-term financial liabilities	185,729	185,845
Non-current lease liabilities	53,299	
Long-term financial instruments	1,040	961
Deferred tax liabilities	7,430	6,605
Non-current provisions	26,913	26,389
Other non-current liabilities	0	15
Non-current liabilities	**274,409**	**219,814**
Short-term financial liabilities	5,491	3,211
Current lease liabilities	14,219	
Short-term financial instruments	4	1
Accounts payable and related accounts	44,266	41,774
Tax and social liabilities	83,523	89,074
Provisions	3,125	2,945
Other current liabilities	131,403	92,332
Current liabilities	**282,030**	**229,337**
Total Liabilities	**745,640**	**648,108**

The Group applied IFRS 16 for the first time on January 1, 2019, under the modified retrospective approach, which does not require restatement of the comparative figures for 2018.

- **Income statement as of June 30, 2019**

In thousands of euros	***06/30/2019***	*06/30/2018*
Revenue	**245,795**	**227,633**
Purchased used	(15,260)	(15,365)
External expenses	(55,693)	(58,501)
Taxes	(4,425)	(4,640)
Payroll costs	(124,493)	(114,566)
Allocations to and reversals of provisions	(1,517)	(2,327)
Change in inventories of products in progress and finished products	(79)	(6)
Other operating income and expenses	(282)	(229)
Income of equity-accounted affiliates	1,426	1,315
EBITDA	**45,472**	**33,316**
Depreciation expenses	(32,828)	(21,369)
Operating income before special items	**12,643**	**11,947**
Depreciation of goodwill	(2,500)	-
Non-recurring income and expenses	(13,784)	(9,633)
Other exceptional operating income and expenses	**(16,284)**	**(9,633)**
Operating income	**(3,640)**	**2,314**
Income from cash and cash equivalents	52	1,077
Gross cost of financial debt	(4,387)	(4,048)
Other financial income and expenses	(125)	748
Cost of net financial debt	**(4,460)**	**(2,222)**
Income taxes	(1,914)	(1,546)
Deferred taxes	(168)	793
Total taxes	**(2,082)**	**(752)**
Share of profit (loss) for the period of equity method companies	(8)	-
Profit (loss) for the period from continuing activities	(10,190)	(661)
Profit (loss) for the period from discontinued activities	-	1,345
Consolidated profit (loss) for the period	(10,190)	684
Consolidated net income (loss) attributable to owners of the parent	**(10,180)**	**655**
Minority interests	10	29
Average number of shares excluding treasury stock	13,853,244	13,941,543
Current Earnings Per Share (in euros)	**(0.4)**	**0.2**
Earnings Per Share (in euros)	**(0.7)**	**0.0**
Dilutive instruments	None	None
Earning for recurring operation per share (in euros)	**(0.7)**	**0.0**

The Group applied IFRS 16 for the first time on January 1, 2019, under the modified retrospective approach, which does not require restatement of the comparative figures for 2018.

- **Consolidated cash flow statement as of June 30, 2019**

In thousands of euros	***06/30/2019***	*06/30/2018*
Consolidated profit (loss) for the period	**(10,190)**	**684**
Share of earnings from equity method companies	(1,417)	(1,315)
Depreciation and provisions	48,220	26,609
Capital gains or losses on disposals	(25)	-
Cash flow after cost of net financial debt and taxes	**36,588**	**25,978**
Cost of net financial debt	4,460	2,276
Tax expenses	2,082	39
Operating cash flow before cost of net financial debt and taxes	**43,130**	**28,293**
Tax paid	(473)	(697)
Change in working capital requirements for operations: requirement	(47,584)	-
Change in working capital requirements for operations: surplus	-	11,549
Cash flow generated from operating activities after tax paid and change in working capital requirements (A)	**(4,927)**	**39,145**
Of which net cash flows from operating activities of held for sale	-	(5,145)
Acquisitions of intangible assets	(26,066)	(22,208)
Acquisitions of tangible assets	(4,880)	(5,662)
Acquisitions of long-term investments	391	(2,437)
Disposals of tangible and intangible assets	51	88
Change in loans made and cash advances	555	106
Impact of changes in consolidation scope	(10,922)	64,550
Dividends received	97	1,969
Net cash flows generated by investment operations (B)	**(40,773)**	**36,405**
Of which net cash flows connected to investment operations of activities held for sale	-	13,892
Dividends paid to the minority interests of consolidated companies	-	(55)
Loans issued	-	-
Loans repaid	(354)	(82,038)
Repayment of lease liabilities	(7,017)	-
Interest paid on loans	(245)	(1,628)
Other financial income and expenses paid or received and interest expense on lease liabilities	(1,714)	(1,362)
Net cash flows generated by financing operations (C)	**(9,330)**	**(85,083)**
Of which net cash flows related to financing operations of activities held for sale	-	(13,073)
Change in cash before impact of change in foreign currency exchange rates (A + B + C)	**(55,030)**	**(9,533)**
Impact of changes in foreign currency exchange rates	96	112
Change in cash	**(54,934)**	**(9,421)**
Opening cash	81,088	22,998
Closing cash	26,154	13,577

The Group applied IFRS 16 for the first time on January 1, 2019, under the modified retrospective approach, which does not require restatement of the comparative figures for 2018.

Annex 2: First-time application of IFRS 16 – Leases

First-time application of IFRS 16 – Leases

Cegedim has applied IFRS 16 Leases for the first time in its condensed consolidated interim financial statements for the six months ended June 30, 2019. Applying this new standard—which supersedes IAS 17 Leases—had a material impact on Cegedim's consolidated financial statements given the importance of leases to the Group's activities.

The Group elected to use the "modified retrospective" approach for its transition to IFRS 16, under which entities are not authorized to restate prior-period comparative financial information. Consequently, the first-half 2019 income statement is presented differently than the Group's prior-period income statements.

In order to assist users of the Group's financial statements to understand the impact of its transition to IFRS 16, and to help provide meaningful comparisons between the financial data for 2019 and 2018 presented below, the Group has chosen to present two types of data in this activity report, for which reconciliations have been performed:

- → IAS 17-adjusted financial data for 2019: the data for first-half 2019 has been adjusted for the impact of IFRS 16 on that period in order to provide meaningful comparisons with the first-half 2018 data, to which IAS 17 has been applied.
- → IAS 17-adjusted non-IFRS financial indicators for 2019: key indicators such as recurring operating income, EBITDA and free cash flow from operations have been presented on an adjusted basis as if IAS 17 had been applied instead of IFRS 16.

Definitions of these non-IFRS financial indicators are presented in the Interim Financial Report in section 2.5.3, page 19.

Impact of IFRS 16 in the first half of 2019

IAS 17-adjusted financial data for 2019

Balance sheet

In € million	**06/30/2019** IFRS 16 Reported	**06/30/2019** IAS 17 Restated	**12/30/2018** IAS 17 Reported	**Change** IAS 17 %
Assets				
Right-of-use assets	66.9	0.0	0.0	n.m.
Other non-current assets	427.2	427.1	424.0	+0.7%
Non-current assets	**494.1**	**427.1**	**424.0**	**+0.7**
Current assets	**251.5**	**251.5**	**224.1**	**+12.2%**
Total assets	**745.6**	**678.6**	**648.1**	**+4.7%**
Liabilities				
Long-term financial debt	239.0	185.7	185.8	(0.1)%
Other non-current liabilities	35.4	35.4	34.0	+4.2%
Total non-current liabilities	**274.4**	**221.1**	**219.8**	**+0.6%**
Short-term financial debt	19.7	5.5	3.2	+71.0%
Other current liabilities	262.3	262.3	226.1	+16.0%
Total current liabilities	**282.0**	**267.8**	**229.3**	**+16.8%**
Total liabilities	**556.4**	**488.9**	**449.2**	**+8.9%**
Shareholders' equity	189.2	189.7	199.9	(4.7)%
Total liabilities and shareholders' equity	**745.6**	**678.6**	**648.1**	**+4.7%**

Impact of IFRS 16 in the first half of 2019

Consolidated Income statements

In € million	**06/30/2019** IFRS 16 Reported	**06/30/2019** IAS 17 Restated	**06/30/2018** IAS 17 Reported	**Change** IAS 17 %
Revenue	**245.8**	**245.9**	**227.6**	**+8.0%**
Purchases used	(15.3)	(15.3)	(15.4)	(0.7)%
External expenses	(55.7)	(63.5)	(58.5)	+8.6%
Payroll costs	(124.5)	(124.5)	(114.6)	+8.7%
Other operating income and charges	(4.9)	(4.9)	(5.9)	(17.1)%
Depreciation and amortization expenses	(32.8)	(25.1)	(21.4)	+17.4%
Other non-recurring operating income and expenses	(16.3)	(16.3)	(9.6)	+69.0%
Amortization of goodwill	**(3.6)**	**(3.7)**	**2.3**	**n.m.**
Operating income	*(1.5)%*	*(1.5)%*	*1.0%*	-
as % of revenue	(4.5)	(3.7)	(2.2)	+67.4%
Cost of net financial debts	(2.1)	(2.3)	(0.8)	+200.2%
Total taxes	**(10.2)**	**(9.7)**	**0.7**	**n.m.**
Consolidated profit (loss)	**(10.2)**	**(9.7)**	**0.7**	**n.m.**
Group share				

IAS 17-adjusted non-IFRS financial indicators for 2019

In € million	**06/30/2019** IFRS 16	**06/30/2019** IAS 17	**06/30/2018** Reported	**Change** %
Recurring operating income	12.6	12.5	11.9	+5.0%
as % of revenue	5.1%	5.1%	5.2%	-
EBITDA	45.5	37.6	33.3	+12.9%
as % of revenue	18.5%	15.3%	14.6%	-

The impact of applying IFRS 16 to operating income, recurring operating income, and net profit is not significant.

Annex 3: 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. The following adjustments are made:

- → neutralize the portion of revenue corresponding to entities divested in 2018;
- → include the portion of revenue corresponding to entities acquired in 2019;
- → recalculate 2018 revenue at 2019 exchange rates.

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

Reported and like-for-like revenue Reconciliation table

In € thousands	D1	D2	D3	Group
2018 Revenue (a)	149,537	76,162	1,936	227,634
Impact of disposals	0	0	0	0
2018 Revenue before impact of disposals	149,537	76,162	1,936	227,634
Currency impact	3	525	0	528
2018 revenue at 2019 exchange rate (b)	149,540	76,687	1,936	228,162
2019 Revenue before impact of acquisitions (c)	159,892	81,208	1,724	242,824
Revenue from acquisitions	2,606	365	0	2,971
2019 Revenue	162,498	81,572	1,724	245,795
Like-for-like growth ([c-b]/a)	+6.9%	+5.9%	(10.9)%	+6.4%

D1: "Health insurance, HR and e-services" Division;
D2: "Healthcare professionals" Division;
D3: "Corporate and others" Division.

Recurring operating income (REBIT) 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 the 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 the 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 (REBIT) and EBITDA
Reconciliation table

In € million	H1 2019	H1 2018
Operating income (a)	(3.6)	2.3
Other non-recurring operating income and expenses (b)	(13.8)	(9.6)
Amortization of goodwill (c)	(2.5)	0.0
Recurring operating income (REBIT) (c=a-b-c)	12.6	11.9
Depreciation and amortization expenses (d)	(32.8)	(21.4)
EBITDA (e=c-d)	45.5	33.3

Effective tax rate on recurring income

The effective tax rate on recurring income corresponds to the effective tax rate excluding tax effects relating to "Other non-recurring operating income and expenses".

Free cash flow from operation
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 operation
Reconciliation table

In € million	H1 2019	H1 2018
Cash flow generated from operating activities after tax paid and change in working capital requirements	(4.9)	39.1
Acquisition of intangible assets	(26.1)	(22.2)
Acquisition of tangible assets	(4.9)	(5.7)
Disposal of tangible and intangible assets	+0.1	+0.1
Free cash flow from operations	(35.8)	+11.4

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	30/06/2019	31/12/2018
Long-term financial liabilities	239.0	185.8
Short-term financial liabilities	19.7	3.2
Total financial liabilities	**258.7**	**189.1**
Cash and cash equivalents	26.2	81.1
Net financial debt excluding IFRS 16 debt	**232.6**	**108.0**
Non-current IFRS 16 debt	14.2	-
Current IFRS 16 debt	53.3	-
Net financial debt	**165.1**	**108.0**

Glossary

BPO (Business Process Outsourcing): BPO is the contracting of non-core business activities and functions to a third-party provider. Cegedim provides BPO services for human resources, Revenue Cycle Management in the US and management services for insurance companies, provident institutions and mutual insurers.

Business model transformation: Cegedim decided in fall 2015 to switch all of its offerings over to SaaS format, to develop a complete BPO offering, and to materially increase its R&D efforts. This is reflected in the Group's revamped business model. The change has altered the Group's revenue recognition and negatively affected short-term profitability.

Corporate and others: This division encompasses the activities the Group performs as the parent company of a listed entity, as well as the support it provides to the three operating divisions.

EPS: Earnings Per Share is a specific financial indicator defined by the Group as the net profit (loss) for the period divided by the weighted average of the number of shares in circulation.

External growth: External growth covers acquisitions during the current fiscal year, as well as those which have had a partial impact on the previous fiscal year, net of sales of entities and/or assets.

Free cash flow: Free cash flow is cash generated, net of the cash part of the following items: (i) changes in working capital requirements, (ii) transactions on equity (changes in capital, dividends paid and received), (iii) capital expenditure net of transfers, (iv) net financial interest paid and (v) taxes paid.

Internal growth: Internal growth covers growth resulting from the development of an existing contract, particularly due to an increase in rates and/or the volumes distributed or processed, new contracts, acquisitions of assets allocated to a contract or a specific project.

Net cash: Net cash is defined as cash and cash equivalent minus overdraft.

Operating expenses: Operating expenses is defined as purchases used, external expenses and payroll costs.

About Cegedim:

Founded in 1969, Cegedim is an innovative technology and services company in the field of digital data flow management for healthcare ecosystems and B2B, and a business software publisher for healthcare and insurance professionals. Cegedim employs more than 4,500 people in more than 10 countries and generated revenue of €468 million in 2018. Cegedim SA is listed in Paris (EURONEXT: CGM).
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