

Annual Report 2019
of MEDIQON Group AG



Dear shareholders,
Dear friends of the company!

Founded over 20 years ago as Medical Columbus AG, today's MEDIQON Group AG has undergone its fair share of transitions and changes. Originally implemented as an IT platform for hospital procurement, today some very different companies belong to our group: From C for construction diary software to Z for zip-tie trade to V for „Vetera“, the veterinary practice software of our stake in the company GP.Software GmbH.

After these significant changes, we are using this year's annual report to look back upon developments and our motivations.

Perhaps you bought shares during the 2005 IPO, or maybe you joined later. You must have had a reason for your investment. And in many cases, this was because you knew one of the people involved in MEDIQON Group AG and put your trust in them.

This trust is important to us, and in this annual report, we want to report on our work over the past year and give an outlook on where we see the path of our company in the future. After all, we work with your capital – so you deserve nothing less than transparency and honesty about the progress of our work.

There are two general ways to design corporate strategies.

One way is to come up with a good strategy on the drawing board and prepare for all eventualities theoretically. Such strategies look good in charts and seem to show foresight. Any management consultancy could design a strategy for MEDIQON Group AG.

The other way is to proceed step by step and to prioritise the things that have the best chances of success at the time and are considered to be sensible.

MEDIQON Group AG has clearly chosen the second way.

The history of today's MEDIQON Group began in 2016 with the foundation of MEDIQON Medical Columbus GmbH (today MEDIQON GmbH) in Hanover. The cornerstone was the fortunate combination of a good team with the resources of the AG to tackle the promising market for data analysis. The combination of the transaction data from the old IT platform and know-how in data management was a promising combination to make an investment.

As with every start-up, there have been and are constant finetuning and readjustments, growing pains, and perpetual challenges. But there are also strong growth, innova-

tive products that find buyers on the market, and stable long-term trends that work to our advantage. In particular, the increasing importance of data in the German hospital market is clearly a positive driving force.

Similar to the foundation of the Hanover subsidiary, in 2018, the Executive Board considered divesting of the old business of Medical Columbus AG. It had been clear for a long time that the German market for our former IT business would continue to consolidate due to the constant cost pressure in the industry. We received a sales offer, which was very attractive based on the earnings situation of the business.

Was Medical Columbus AG founded in 1998 with the idea that it would be sold exactly 20 years later? - Of course not! But it is also our job always to review whether there are better options for using resources from the perspective of our owners.

In 2019, a lot of things were set on track for the future. After the „Medical Columbus“ naming rights were also transferred in the sale, our company was renamed MEDIQON Group AG in January.

At the same time, proceeds from the sale of the operating business were reallocated. Investments were made in three areas. These areas have little in common with the former core business of Medical Columbus AG. After all, the earned capital does not necessarily have to be reinvested where it was originally generated!

First of all, we wanted to accelerate the core business of MEDIQON GmbH. With Römig and Schneider Strategy GmbH, a market peer was bought and integrated. As a result, the number of MEDIQON GmbH employees tripled in the course of the year from 10 to 29 full-time employees. The strategic value of this acquisition is still clear, and by now, the two teams are working well and closely together.

However, the sale of the new products took longer than expected, and there was a need for additional financing in autumn of 2019. We supported MEDIQON GmbH with an additional shareholder loan – not least because Bahareh Razavi and Dirk Elmhurst as management gave loans from their private pocket into the company they had set up. Since then, we have seen many positive developments in business, with the current Corona crisis bringing new opportunities and risks.

Due to the fact that the company is currently running below its own budget figures, the company has decided

to completely write off the shareholder loans that were issued to MEDIQON GmbH for start-up financing as a precaution. Nevertheless, we still are confident of positioning, the products, and the team of MEDIQON GmbH, and expect the business to develop positively in the medium term despite the initial difficulties. The growing importance of data in the German hospital market is obvious and will become even more important in the aftermath of the Corona crisis. Nevertheless, it is clear that MEDIQON GmbH will continue to be seen as a start-up – with high opportunities and high risks.

In addition to MEDIQON GmbH, the Executive Board became aware of two concepts that presented a promising use of the funds obtained from the sale.

On the one hand, NGC Folgekapital GmbH, Munich, was co-founded. The concept here is to offer entrepreneurs a pragmatic succession solution that will ensure the continuation of their entrepreneurial life's work: sale of shares to NGC, takeover of operational management by an emerging talent provided by NGC, and supervision of the operational succession with the experience from numerous successful handovers to the next generation.

The Executive Board considers this business model to be very attractive: Firstly, because there will be a wave of company successions in the „Baby Boomer Generation“ in the next few years; secondly because transactions with purchase prices in the medium million EUR range are considered professionally by only a few investors. Thirdly, and most importantly: With Alexander Preußner, we have managed to recruit an entrepreneur who is specialised and experienced in this field. He had the goal to focus on this particular market and was looking for a long-term and stable partner.

We were able to convince him to join us and have enjoyed our partnership ever since. If you or someone from your circle of friends would like to secure the succession for a company: Please do not hesitate to contact Alexander Preußner from NGC: ap@nachfolge-kapital.com!

We also co-founded Ookam Software GmbH, Berlin. Here we were able to find an entrepreneurial duo with relevant software management experience, who track down niche software companies who are willing to sell and take over the operation. The idea behind Ookam is to actively participate in the development of the product strategy, the sales-, and management processes of software firms as a partner. And there are astonishingly many of these software companies with a highly specialised focus in German-speaking countries. Often, these companies provide their customers with software that is critical to their business operations.

In the past fiscal year, Ookam Software GmbH was already extremely productive and was able to secure three software companies for our group! There are comparable models worldwide that have been successful for years that are used as a blueprint for Ookam. We are therefore looking forward to accompanying Ookam for many years and to support them in the best possible way in their growth. If you know entrepreneurs in the software sector who are looking for an active and long-term partner, please contact Steffen von Büнау (steffen.buenau@ookam-software.com) or Niels Reinhard (niels.reinhard@ookam-software.com). They will also be happy to answer any questions you may have on anything related to software – from pricing, sales, to the migration of on-premise solutions to the cloud.

For all three areas and the associated companies, we want to offer an ideal home for their independent development under the umbrella of MEDIQON Group AG. We believe in the extremely high effectiveness of decentralised organisations. Our energy flows into the selection and management of the best teams – however, we normally see little value in interfering in the daily work of the operational business.

The most important adjusting lever is probably the decision which projects and investments of the subsidiaries will get additional capital from the AG. Specifically, all subsidiaries of MEDIQON Group AG can request shareholder loans for investment projects that are subject to interest. We consider 10% per year to be appropriate. All group companies thus have a clear incentive only to request funds when an investment exceeds an expected return of 10% per year. There is also an incentive to return surplus funds to the AG, provided that reinvesting in one's own business does not promise a return of more than 10% per year. We think that a hurdle of 10% per year is a reasonable minimum return on the capital that you, dear shareholders, have made available.

For all three areas – MEDIQON GmbH, NGC Nachfolgekapital GmbH, and Ookam Software GmbH – we have put together data and facts for you in the management report. Furthermore, we would like to soon present the annual progress of our company in a compact manner based on relevant key figures in our annual report. We are currently discussing which parameters will illustrate the development of your MEDIQON Group AG transparently and best in the long run. Since we want to keep our work easy to compare for many years and do not want to change the presentation later, in 2020, we will take sufficient time for the discussion with the Supervisory Board to establish a meaningful framework for measuring success. We hope to be able to present the first results to you here in a year.

Nevertheless, we would like to give you some pointers so that you can form an opinion, in particular, about the valuation of the companies within NGC Folgekapital GmbH and Ookam Software GmbH.

As of December 31, 2019, MEDIQON Group AG had a total of around EUR 9 million in loans and shares in companies managed by both teams on the balance sheet. The majority of this (around EUR 8 million) comes from the shareholder loans explained above with an annual interest rate of 10%. Some of the companies held also have minority shareholders, e.g. succeeding managing directors who are also invested. The purchase prices were also partially financed through bank loans or seller loans at the level of the operating companies (for which MEDIQON Group AG is not liable).

Since some of the companies write off the purchase prices for tax reasons, the reported profits of the operating companies offer little information about their actual profitability. However, we measure the common earnings indicator EBITDA (earnings before interest, taxes, depreciation, and amortisation) for every company. If we add the EBITDA results of all stakes in companies that are managed by NGC Folgekapital GmbH and Ookam Software GmbH (minority interests excluded), then these companies together generated around EUR 1.4 million EBITDA in 2019.

The proportionate turnover broken down to us would have been around EUR 5.4 million – which illustrates the appealing profitability of the companies and can be explained by the high proportion of software companies in that group.

Both the sales and EBITDA figures are the results of the companies for the entire fiscal year 2019. They are therefore only used for illustration purposes since not all companies were part of MEDIQON Group AG throughout the entire fiscal year.

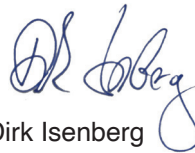
The proportion of net debt at the level of the operating companies based on our share was EUR 1.2 million.

Since we are extremely satisfied with the results of the acquired companies to date, we plan to continue on the path we have chosen. We have therefore positioned ourselves better in terms of organisation due to the greatly increased complexity. Jan-Hendrik Mohr became a member of the Board on March 1, 2020, and will contribute his experience as an investor & entrepreneur to develop the group. Mr Mohr knows MEDIQON Group AG rather well as he followed the business as a substantial shareholder since 2014. From summer 2020, we will also be supported by a principle, who will be responsible controlling and finance processes.

We would like to take this opportunity to thank you for the great trust you have placed in the development of MEDIQON Group AG over the years and hope that you will remain a supportive shareholder in the future!

We look forward to a continued fun, long-term, and economically successful partnership!

Yours



Dirk Isenberg



Jan-Hendrik Mohr



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