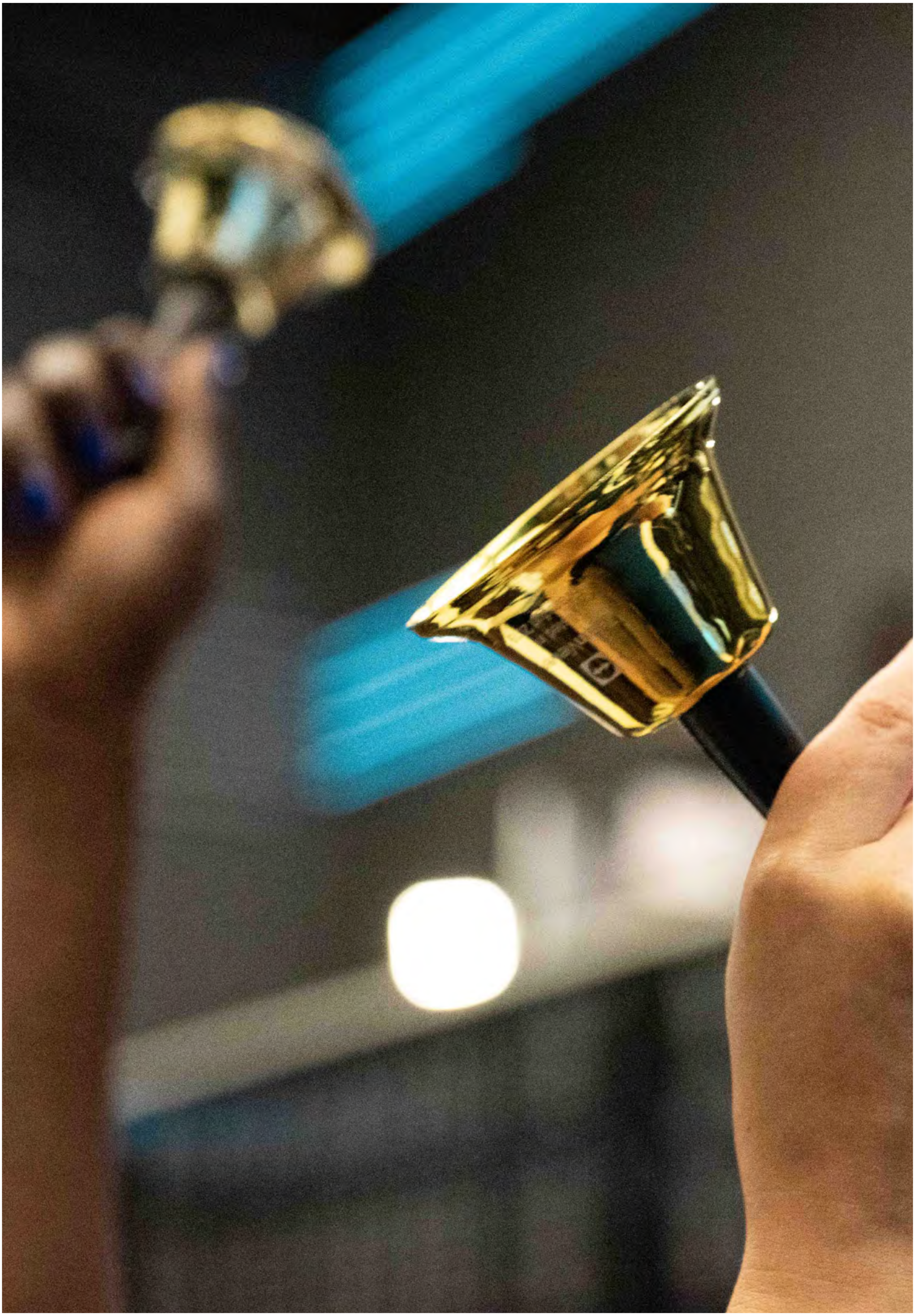
TeamViewer

ANNUAL REPORT 2019

CONTENT

TO OUR SHAREHOLDERS



01 Letter from the Management Board

Dear Shareholders,

TeamViewer had an extraordinary and successful past year. Our IPO – the largest in Europe in 2019 – was a significant milestone to be celebrated as we rang in the next chapter in a spectacular made in Europe tech success story.

IPO • MDAX • TecDAX

And we literally did sound the bells – on 25 September 2019, more than 300 TeamViewer employees from Göppingen and all over the globe helped us go public by symbolically ringing little bells on the trading floor of the Frankfurt Stock Exchange as soon as our stock started trading. Just like this concert of many small bells, the IPO would not have been possible without excellent teamwork. We would like to thank our employees, who all contributed enormous personal effort to the extensive preparations. Our admission to the MDAX and the TecDAX at the end of the year was a strong tribute to our record up to now and an endorsement of our ambitions for the future.

Seamless Connectivity for Industry 4.0

This future for TeamViewer will take place to a lesser extent in traditional office spaces and will increasingly move to industrial environments where Information Technology (IT) is merging with Operational Technology (OT). Devices, processes and production events need to be interconnected in order to collect and analyse real-time data for smart production management. TeamViewer plays a key role in this so-called Industry 4.0 by providing seamless connectivity between all endpoints and systems.

Tapping the Growth Potential

TeamViewer uses a three-dimensional strategy to tap the growth potential offered by the ubiquitous digital transformation – we can achieve growth with new use cases, by serving additional customer segments and with deeper penetration of international markets.

Continuous Use Case Expansion

We continually improve our platform on the basis of discussions with customers and partners and provide a continually expanding variety of use cases for unlimited connectivity. Towards the end of 2019, we introduced a new version of our core product, which due to its ease-of-use combined with comprehensive security and extensive functionalities is used worldwide by a very large community and numerous businesses. Leveraging scale effects, we can roll out digital innovations quickly and broadly. For example, with TeamViewer Pilot, we have developed an augmented reality product that provides our users a low threshold for adopting this new technology. In 2019 we improved TeamViewer Pilot for industrial use cases by initiating partnerships with several smart glasses distributors. Our dedicated Internet of Things (IoT) solution can also be quickly and cheaply integrated as well as flexibly scaled. In the past year, we made extensive improvements to our IoT products with new partnerships, improved dashboard functionality and a ready-to-use starter kit for IoT projects at SMEs. In addition, the TeamViewer Remote Management software used by IT departments to centrally manage and monitor all company devices now includes centralised software patch management, a very important and often requested new function.

Running Start in the Enterprise Market

We meticulously assess the specific needs of our customer segments and create custom-built products for subscribers – from small local businesses to global corporations. While our continually improved TeamViewer core product is popular in the SME market, we have established a strong market position in a little over a year's time with our TeamViewer Tensor for enterprises and have acquired many large corporate customers. Our running start in the enterprise market was successful because with our new sales team we are close to the market, listening carefully to what the market needs and finding specific solutions. An excellent example is our popular Conditional Access feature which provides a granular role and access right management in complex IT and OT environments. More innovations will follow in 2020. We have also expanded our offering for small companies and individual commercial users with our Remote Access product, which constitutes an affordable entry-level offer, especially for home office use cases.

Global Presence

We are a global company and have a global presence. In 2019 we worked extensively on our international business in order to better serve our global customers locally. We expanded the offices in the Asia-Pacific (APAC) region that we opened in the previous year and recruited numerous new sales staff throughout all our markets. This applies in particular to the U.S., our largest market, where we continue to drive additional growth initiatives with strong commitment. We are also applying our strategy of internationalising TeamViewer to software development and are building a new Research and Development (R&D) hub in Ioannina in Greece since November 2019, which at year-end already had 16 new specialists working within a global development network on further innovations.

Unique Financial Profile

All of this momentum and hard work of our team, currently comprising 879 employees worldwide, contribute to our business success. The year 2019 was also a record-breaking success in this respect. TeamViewer's billings increased by

+41.4 % to EUR 324.9 million and at an adjusted EBITDA margin of 56.0 % resulted in an adjusted EBITDA of EUR 182.1 million and positive earnings per share of EUR 0.52. Growth in billings was due to a +71 % year-on-year increase in paying subscribers from 271,000 to 464,000 subscribers. Our enterprise solution also showed a very positive development, counting at year-end 698 subscribers with a licence volume of at least EUR 10,000 annually, which corresponds to an increase of +67 % over the previous year. These figures are an impressive indication of our financial profile, practically unique in the tech industry, that includes ongoing high growth, high profitability and high cashflow. This allows us to make substantial investments in new innovations and business development as well as to pay off debt. At the end of 2019, we reduced our net debt to three times adjusted EBITDA and plan to reduce this further during this year to under two times adjusted EBITDA.

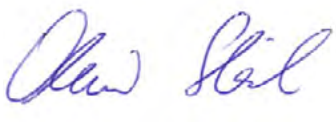
Global Connectivity Platform

As of the end of 2019, our software had been installed on over 2.1 billion devices. This enormous breadth and our offer of free use to private consumers is our contribution to making technological progress available to all participants in the mass market. This is one of the reasons TeamViewer has evolved in such short time from a tool for IT departments to a global connectivity platform that can connect, monitor, control, manage or repair endpoints in all contexts and all sectors. Enabling unlimited connectivity is our central goal, helping us continue our success story at TeamViewer this year and beyond. Our significantly expanded second-level management and our unique TeamViewer culture are instrumental in preparing us for the future.

Thank you!

The year 2019 was a fantastic year for TeamViewer. We would like to thank our many dedicated colleagues for their extraordinary efforts. On behalf of the entire team, we would also like to thank our shareholders, customers, users, partners and friends for their strong commitment. Our IPO was an important milestone for TeamViewer and at the same time provided great motivation for the future. Together with you, we look forward to our next collective milestones.

Sincerely,



Oliver Steil
Chairman of the Management Board

Stefan Gaiser
Chief Financial Officer

02 Report of the Supervisory Board

Preface

Dear Shareholders,

TeamViewer can look back on an eventful and commercially successful 2019 fiscal year. A particular highlight was the Company's IPO and listing in the Prime Standard of the Frankfurt Stock Exchange on 25 September 2019, which has laid the foundations for the next phase of growth of the TeamViewer Group. With the final offer price of EUR 26.25 per share, the issue volume amounted to EUR 1.97 billion, making TeamViewer the largest IPO of a German technology company in about 20 years. Following an initially modest share price performance, TeamViewer shares registered substantial price gains and increasing trading volume in November and December, resulting in the shares' inclusion in Deutsche Börse's MDAX and TecDAX indices on 23 December 2019.

As part of the Company transforming and changing its legal form from a company with limited liability under German law (Gesellschaft mit beschränkter Haftung, GmbH) to a stock corporation (Aktiengesellschaft, AG), the Executive and Supervisory Boards of TeamViewer AG were appointed for the first time during the reporting year. In the following report, we would like to inform you about the work undertaken by the Supervisory Board – beginning with the inaugural meeting on 19 August 2019 – and its committees during the 2019 fiscal year.

Composition of the Executive and Supervisory Boards

As at 31 December 2019, the Company's Management Board had the following two members:

- Oliver Steil was appointed as a member of the TeamViewer AG Management Board for three years and nominated as its Chairman on 19 August 2019. Mr Steil had been Managing Director of TeamViewer Germany GmbH and CEO of the TeamViewer Group since January 2018.
- Stefan Gaiser was appointed as a member of the TeamViewer Management Board for three years on 19 August 2019. He had been Managing Director of TeamViewer Germany GmbH and CFO of the TeamViewer Group since November 2017.

As at 31 December 2019, the Company's Supervisory Board had the following members:

- Dr Abraham Peled, Chairman of the Supervisory Board
- Jacob Fonnesbech Aqraou, Deputy Chairman of the Supervisory Board
- Stefan Dziarski, Member of the Supervisory Board
- Holger Felgner, Member of the Supervisory Board
- Dr Jörg Rockenhäuser, Member of the Supervisory Board
- Axel Salzmann, Member of the Supervisory Board

The Supervisory Board was appointed for the period up until the Annual General Meeting that will resolve on the formal approval of the Board's actions for the fiscal year ending 31 December 2022.

Collaboration between the Management and Supervisory Boards

The Company's Supervisory Board fulfilled the tasks and responsibilities assigned to it in the 2019 fiscal year and, in particular, focused extensively on TeamViewer AG's and the Group's position and performance.

In doing so, the Supervisory Board always had a constructive, open and trust-based working relationship with the Management Board. The Supervisory Board advised on the management of the Company and continuously monitored the Management Board as part of this regular, in-depth dialogue.

Inside and outside of meetings, the Management Board regularly, promptly and comprehensively briefed the Supervisory Board about strategy development and implementation, planning and business performance, the Company's risk position and risk management and about compliance, HR planning and investor communication issues as well as about current events. In particular, the Management Board agreed the Company's strategic direction with the Supervisory Board.

No business that required Supervisory Board approval in accordance with legal requirements or those of the Articles of Association was transacted during the reporting period.

During the reporting period, there were no conflicts of interest involving members of the Management and Supervisory Boards, which are required to be disclosed to the Supervisory Board without delay and of which the Annual General Meeting must be informed.

Supervisory Board meetings and priorities

The Supervisory Board met a total of three times during the reporting period. In addition to the inaugural meeting on 19 August 2019, a further two plenary meetings took place on 7 November 2019 and 10 December 2019, both of which the Management Board attended. Regular topics at Supervisory Board meetings included business performance, the strategic position as well as the financial performance of TeamViewer AG and the Group. The respective detailed reports by the Management Board were discussed in-depth with the Supervisory Board. They complied with legal requirements, the principles of good corporate governance and Supervisory Board guidelines both in terms of the topics addressed and their scope.

At its meeting on 19 August 2019, the Supervisory Board dealt in particular with the following topics:

- Election of the Chairman and Deputy Chairman of the Supervisory Board
- Appointment of the Management Board
- Resolution on Management Board members' contracts of employment and remuneration
- Resolution on the Supervisory Board's rules of procedure
- Issue of the Management Board's rules of procedure
- Formation of committees and election of members

The meeting on 7 November 2019 focused on the following topics:

- Determination of the target for female representation on the Management Board
- Determination of the target for female representation on the Supervisory Board
- Discussion about a skills profile for members of the Supervisory Board as well as about a diversity concept for the Executive and Supervisory Boards

The discussions at the Supervisory Board meeting on 10 December 2019 focused on the following topics:

- Review of business and financial performance during the 2019 fiscal year, expected figures at year-end, especially with regard to the guidance communicated and analysts' expectations
- Detailed discussion on the 2020 budget as well as on strategic investment priorities for 2020 by department
- Submission of the declaration of conformity in accordance with § 161 of the German Stock Corporation Act (Aktiengesetz, AktG)
- Adjustment and extension of the internal management system (KPIs)

In addition, a number of resolutions in advance of the IPO and to determine a skills profile for members of the Supervisory Board as well as a diversity concept for the Executive and Supervisory Boards were passed by means of a circulated document.

With the exception of Dr Rockenhäuser, who was unable to attend one physical meeting (on 7 November 2019), all the other members of the Supervisory Board attended all the Supervisory Board's physical meetings in person or via video conference.

	Full Supervisory Board (19 Aug., 7 Nov., 10 Dec.)	**Audit Committee (10 Sept., 7 Nov.)**	**Nomination and Remuneration Committee (10 Sept., 7 Nov.)**
Dr Abraham Peled	3 (3)	2 (2)	2 (2)
Jacob Fonnesbech Aqraou	3 (3)	2 (2)	2 (2)
Stefan Dziarski	3 (3)	2 (2)	-
Holger Felgner	3 (3)	-	-
Dr Jörg Rockenhäuser	2 (3)	-	1 (2)
Axel Salzmann	3 (3)	2 (2)	2 (2)

Meetings attended by members of the Supervisory Board in 2019 (in brackets: number of meetings during each member's term)

Committees

To enable it to perform its tasks efficiently, the Supervisory Board has formed the following committees:

The **Audit Committee** monitors accounting processes, risk management, the effectiveness of the internal control system and the internal audit system and focuses on compliance issues. Furthermore, it verifies the independence of the external auditor and deals with any other deliverables to be provided by the external auditor, awarding the audit engagement, specifying audit priorities and agreeing the auditor's fees. The Audit Committee discusses the half-year financial reports and quarterly statements with the Management Board. Furthermore, it drafts the resolutions for the full Supervisory Board and prepares the preceding discussion about adopting the financial statements, profit appropriation and appointing the external auditor.

The following members were on the Audit Committee as at 31 December 2019:

- Axel Salzmann (Committee Chairman)
- Jacob Fonnesbech Aqraou
- Stefan Dziarski
- Dr Abraham Peled

During the reporting period, the Audit Committee convened for two meetings. The Audit Committee discussed and approved its own rules of procedure. It also approved the setting up of an internal audit function and discussed the operating results for the third quarter of 2019. Furthermore, agreements relating to the general auditing process for the 2019 fiscal year were made with the external auditor.

The **Nominations and Remuneration Committee** is tasked with putting forward suitable candidates to the Supervisory Board for its Annual General Meeting nominations for the election of new Supervisory Board members, if required. It also examines all aspects of remuneration and terms of employment for the Management Board and makes relevant recommendations to the Supervisory Board. Furthermore, it submits an assessment of how the Management Board has performed.

The following members were on the Nominations and Remuneration Committee as at 31 December 2019:

- Axel Salzmann (Committee Chairman)
- Jacob Fonnesbech Aqraou
- Dr Abraham Peled
- Dr Jörg Rockenhäuser

During the reporting period the Nominations and Remuneration Committee convened for two meetings. The Committee focused on finding out more about the German Act Implementing the Second Shareholder Rights Directive (Gesetz zur Umsetzung der zweiten Aktionärsrichtlinie, ARUG II) and the new requirements and obligations associated with it that are of relevance to the Company.

Audit of the annual and consolidated financial statements

TeamViewer AG's annual financial statements, which were compiled by the Management Board in accordance with German accounting regulations (German Commercial Code, Handelsgesetzbuch, HGB), the consolidated financial statements prepared in accordance with § 315e (1) HGB on the basis of the International Financial Reporting Standards (IFRSs) and the combined management report of TeamViewer AG and the Group for the 2019 fiscal year as well as the dependency report prepared by the Management Board in accordance with § 312 AktG were audited and were each given an unqualified audit opinion by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft (EY), Stuttgart.

EY was appointed as the auditor for the 2019 fiscal year at the same time as the transformation resolution was adopted on 19 August 2019. EY has acted as the Company's auditor since 2019. The audit partner responsible within the meaning of § 319a (1) sentence 4 HGB was Mr Steffen Maurer.

The audit reports, the above-mentioned financial statement documents, the Management Board's profit appropriation proposal as well as the Management Board's dependency report in accordance with § 312 AktG were submitted to the Supervisory Board well in advance of the meeting to approve the financial statements on 11 March 2020, thus providing sufficient opportunity for scrutiny. The audit reports were explained in person by the auditor in charge of the audit to both the Audit Committee and the full Supervisory Board as well as to the Management Board. In this process, the auditor reported on the key findings of the audit and provided the full Supervisory Board with additional information. Following its own examination, the Supervisory Board concluded that no objections needed to be raised and concurred with the auditor's audit findings. Accordingly, at its meeting on 11 March 2020, the Supervisory Board adopted the TeamViewer AG annual financial statements and approved the consolidated financial statements along with the combined management report.

Furthermore, the Supervisory Board examined the contents of the nonfinancial report in accordance with § 171 (1) AktG. No objections needed to be raised following the final outcome of this scrutiny, and the Supervisory Board adopted the contents of this nonfinancial report.

The Management Board prepared a report on relations with affiliated companies for the 2019 fiscal year in accordance with § 312 AktG. The report includes the following closing statement: "In summary, we hereby declare that TeamViewer AG, Göppingen, and its subsidiaries received appropriate consideration in every legal transaction and were not disadvantaged in any legal transaction in the legal transactions listed in the report on relations with affiliated companies according to the circumstances that were known to us at the date on which the legal transactions were concluded." The Supervisory Board subjected the dependency report to scrutiny of its own and concurred with the findings of the auditor's audit at the meeting on 11 March 2020. No objections to the Management Board's statement at the end of the dependency report needed to be raised following the final outcome of the Supervisory Board's scrutiny.

Corporate governance

The Supervisory Board attaches great importance to ensuring good corporate governance and is guided by the recommendations detailed in the German Corporate Governance Code (GCGC). In December 2019, the Supervisory Board together with the Management Board issued a declaration of conformity covering the reporting period in accordance with § 161 AktG, and this declaration can be permanently accessed in the Investors/Corporate Governance section of the Company's website. TeamViewer AG complies with the recommendations of the GCGC Commission, except in the case of one matter, which is explained in the declaration of conformity. The *Corporate governance report and corporate governance statement* provides further information, including the declaration of conformity, in section D.03.

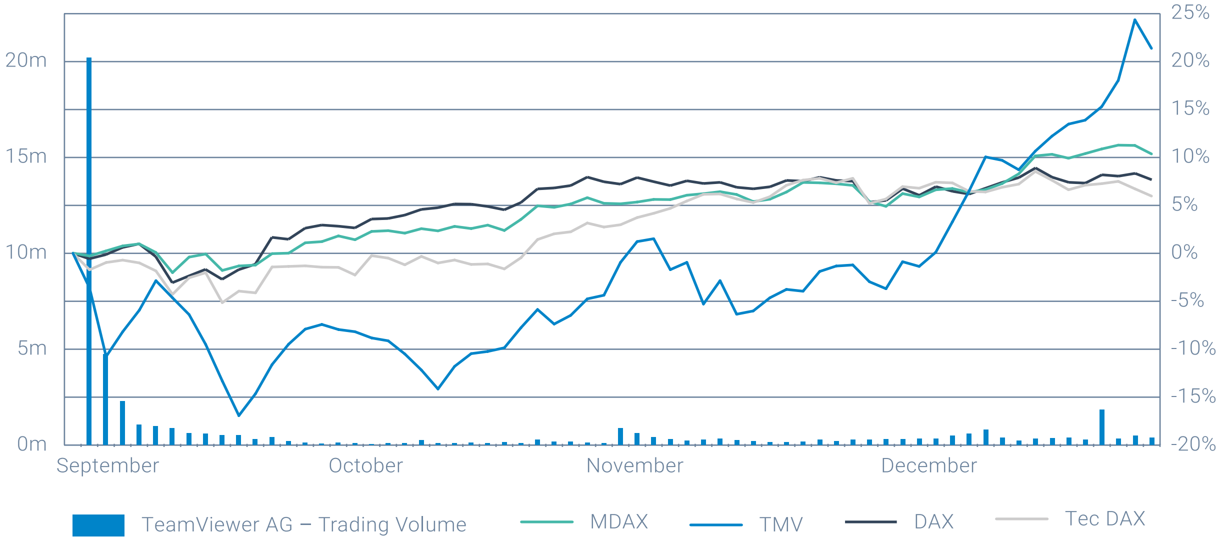
The Supervisory Board would like to thank the Management Board and all employees of TeamViewer AG and the Group for their high level of personal commitment and outstanding achievements during the 2019 fiscal year.

Göppingen, 11 March 2020

On behalf of the Supervisory Board

Dr Abraham Peled

03 TeamViewer on the capital market



Price performance of the TeamViewer share in Xetra, from the IPO until the end of 2019

Initial public offering

On 25 September 2019, TeamViewer AG celebrated the commencement of trading on the Regulated Market (Prime Standard) of the Frankfurt Stock Exchange. The shares started trading at the offering price of EUR 26.25. In all, 75,000,000 ordinary bearer shares with no-par value from existing shares held by the divesting shareholder, Tiger LuxOne S.à r.l. (TLO), were placed with investors. They consisted of 60,000,000 basic shares and 15,000,000 additional shares which formed part of the upsize option.

Despite a difficult market setting ahead of the IPO, the offering of TeamViewer shares was oversubscribed several times. Accordingly, the upsize option of 15,000,000 additional shares was exercised in full.

Based on the offering price of EUR 26.25 per share the volume of the stock flotation was EUR 1.97 billion. The total market capitalisation of TeamViewer AG at the time of placement came to EUR 5.25 billion. In terms of the placement volume, the IPO of TeamViewer AG was the biggest flotation of a technology company in Germany since 2000.[1]

Ahead of the initial public offering, capital market interest in the Company was very high. The Management Board accordingly held talks with more than 200 institutional investors as part of a ten-day roadshow in London, Frankfurt, New York, Boston, San Francisco, Paris and Munich. TeamViewer was supported by Goldman Sachs International and Morgan Stanley, which acted as Joint Global Coordinators and Joint Bookrunners. BofA Merrill Lynch and Barclays were mandated as further Joint Bookrunners, and RBC Capital Markets assisted the transaction as Co-Lead Manager. The role of Designated Sponsor was taken on by Goldman Sachs International and Morgan Stanley.

1 Source: Dealogic, 2019

Price development of the share

On the first day of trading, the TeamViewer share closed at EUR 25.30 and thus below the issuing price. In the following weeks, up to the publication of the operating results for the third quarter of 2019 on 11 November 2019, the share price reported a volatile development in a difficult market setting. The quarterly results, in particular the strong growth of billings and adjusted EBITDA (at the time called cash EBITDA) when compared with the prior year, was met with a positive response from investors and analysts and led to the share price rising above the issuing price. As a result of the price recovery in tandem with higher trading activity from the second half of November onwards, TeamViewer AG was included in the MDAX and TecDAX indices as of 23 December 2019. Following the announcement of the inclusion in the index on 4 December 2019, the positive price development continued to strengthen and the share's closing price on 30 December 2019 was EUR 31.88. Compared with the issuing price of EUR 26.25 this corresponds to a price gain of +21.4 %. During the same period[2] the DAX rose by +7.7 %, the MDAX by +10.4 % and the TecDAX by +6.0 %.

Subsequent to the fiscal year 2019, TeamViewer AG was included in the STOXX-Europe 600 index. The inclusion is effective with the start of trading on 23 March 2020.

Capital market development in 2019

The capital markets in 2019 were marked by political uncertainty and recession worries. Strain factors included the ongoing trade dispute between the United States and China, the uncertainty surrounding the outcome of Brexit and the weakening global economy.

Thanks to the expansionary monetary policy of the central banks and, in particular, the interest rate cuts of the U.S. Federal Reserve, the global share indices reported substantial price gains despite the difficult macroeconomic and geopolitical setting. The MSCI World Index gained +25.2 % and the Dow Jones +22.3 % in the course of 2019. The DAX also posted a positive performance with price growth of +25.5 % in the course of the year. The MDAX climbed by +31.2 % and the TecDAX by +23.0 %.

Annual General Meeting

The first Annual General Meeting of TeamViewer AG will be held on 29 May 2020 in Stuttgart.

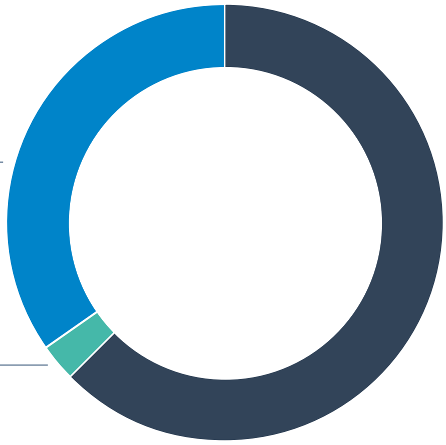
Dividend

TeamViewer does not intend to pay a dividend for the 2019 fiscal year; instead, it plans to invest the profit it generates in sales and marketing, in product development and in geographic expansion. Any future determination to pay dividends will be made in accordance with applicable laws and will depend on, among other factors, the Company's results of operations, financial condition, contractual restrictions and capital requirements.

2 Closing price 30 December 2019 compared with 24 September 2019

Shareholder structure

The Company's share capital totals EUR 200,000,000 and is divided into 200,000,000 ordinary bearer shares with no-par value. TeamViewer's free float at the end of 2019 came to 37.5 %.[3] On 4 March 2020, the majority shareholder of TeamViewer AG, TLO, announced the sale of 22 million shares in TeamViewer AG. In connection with the transaction, TLO agreed to a so-called lock-up period of 90 days. On 10 March 2020, TeamViewer AG was informed via voting rights notification that The Capital Group Companies, Inc. has passed the notification threshold of 5 % of voting rights on 4 March 2020 and now holds a total of 5.027 % of voting rights. Therefore, free float is now at 43.5 %.



Shareholder structure of TeamViewer AG in percent as at 31 December 2019[4]

Analyst coverage

At the end of 2019, the following reputable domestic and international banks and local research firms observed the TeamViewer share:

- Bank of America Merrill Lynch
- Barclays
- Commerzbank
- Equi.TS
- Goldman Sachs
- Morgan Stanley
- Royal Bank of Canada

All seven analysts issued a Buy recommendation at the start of coverage, which remained unchanged until the end of 2019. Judging by the enquiries received, it is safe to assume that further analysts will begin coverage in 2020.

3 Free float as defined by Deutsche Börse AG
4 Share of Permira Holdings Limited based on last voting rights notification, shareholding (58 %) and share loan (4.5 %) combined

Subsequent to the fiscal year 2019, DZ Bank published its research with a Hold recommendation on 3 February 2020, which has been upgraded to a Buy recommendation on 28 February 2020.

Communication with the capital market

TeamViewer is aiming for transparent and continuous dialogue with the capital market. It is therefore a major consideration for the Company to deepen its relationships with investors, analysts and financial journalists through one-to-one conversations, phone calls, roadshows, conferences and company visits and to foster the confidence of capital market participants. In the 2019 fiscal year the Management Board took part in two investor conferences in Munich and Barcelona where it presented the Company, its current business performance and growth prospects to institutional investors. Furthermore, following the publication of the operating results for the third quarter, roadshows were held in Frankfurt, London, Paris and Zurich. In addition, two information days for investors and analysts were organised at the TeamViewer headquarters in Göppingen.

To meet capital market requirements, a further focus was on establishing the necessary structures and processes in investor relations. An investor relations website was created, an information distribution system established for interested capital market participants and a webcast with a conference call held on the financial figures for the third quarter of 2019. A head of investor relations and capital markets was also appointed. In 2020, TeamViewer will further expand its investor relations work as part of a best practice approach.

Master data & key financials of the TeamViewer share as at 31 December 2019/2019 fiscal year

ISIN:	DE000A2YN900
WKN:	A2YN90
Symbol:	TMV
Stock market listing:	Frankfurt Stock Exchange
Stock market segment:	Regulated Market (Prime Standard)
Index memberships:	MDAX, TecDAX
Designated Sponsors:	Goldman Sachs Int. & Morgan Stanley
Number of shares:	200,000,000
Share capital:	EUR 200,000,000
Class of shares:	Ordinary bearer shares with no-par value
Earnings per share (FY19) in EUR:	0.52
Operative cash flow per share (FY19) in EUR:	0.72
Highest price in Xetra trading in EUR:	32.65
Lowest price in Xetra trading in EUR:	21.80
Closing price in Xetra trading (30 December 2019) in EUR:	31.88
Average daily turnover (Xetra trading):	754,000 units
Market capitalisation (30 December 2019) in EUR:	6.376 billion
Free float:	37.5 %


ANY
WHERE
#teamviewergoespublic

COMBINED MANAGEMENT REPORT

01 Group fundamentals

Group business activity

Business model

Digital technologies are changing the way people interact and work. Companies are increasingly reliant on technologies that enable them to connect seamlessly to a wide range of devices and applications irrespective of time and place. The products provided by TeamViewer meet these customer requirements. Anybody that wishes to establish or manage a secure connection to a colleague, friend, service provider or device is a potential TeamViewer user. Increasing demand for connectivity is likely to increase yet further as a result of long-term global megatrends like digital transformation, enhancements to the IoT, advancing automation and the use of robots and artificial intelligence, an increased sensitivity in society towards environmental and climate issues and the desire for CO_2 reductions as well as changed working concepts (e.g. working from home). Companies are investing substantially in digital transformation, in order to create more efficient processes. For the period from 2019 to 2023, market research company IDC is forecasting annual growth (CAGR)[5] in digital transformation spending of +17.1 %.[6] Furthermore, the steadily increasing prevalence of mobile technologies like smartphones and tablets in conjunction with the launch of IoT technology in commercial and industrial applications has resulted in an increase in endpoints and devices.

The TeamViewer Group operates a global, cloud-based connectivity platform that enables users and customers in all industries to connect a wide range of different devices in order to monitor, control, manage and repair these devices, to assist other users with problems or to interact digitally with other people.

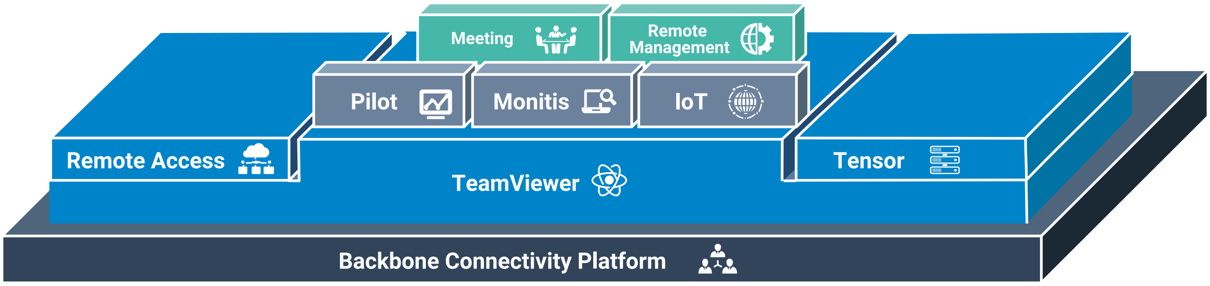
TeamViewer's core product is provided free of charge for private use – with almost no constraints in terms of functionality or usage time. As a result of its free for private use distribution model, TeamViewer benefits from a very large base of existing users. As far as commercial use is concerned, the TeamViewer platform is utilised for a wide range of use cases in nearly all countries worldwide, e.g. for the remote control and monitoring of plant and machinery. TeamViewer's broad range of use cases enables users to implement new solutions for their specific needs themselves. TeamViewer is aimed at companies of any size, from small and medium-sized enterprises to large corporations with global operations. Since 2018, TeamViewer sells all its products using a subscription model.

Products

Commercial users can access the TeamViewer platform via a range of products: TeamViewer, TeamViewer Tensor, TeamViewer Remote Access, TeamViewer IoT, TeamViewer Remote Management, TeamViewer Pilot, TeamViewer Meeting (Blizz) and Monitis. The TeamViewer platform is operated via a globally distributed router network. A direct connection between the devices is always established if technically feasible. Connections are always protected by end-to-end encryption. TeamViewer's solutions are easy to install, intuitive to operate and can be adapted flexibly.

5 CAGR=Compound annual growth rate

6 IDC: https://www.idc.com/getdoc.jsp?containerId=prUS45612419



Schematic diagram of the TeamViewer platform

TeamViewer
The core product TeamViewer offers consistently secure connectivity across a wide range of different operating systems and device types with the aid of end-to-end encryption, two-factor authentication and the “Trusted Devices” function. The TeamViewer features enable, for example, remote access and control of devices, screen sharing, fast data transfer and online collaboration. TeamViewer is available in the form of three licences - Business, Premium and Corporate. As the most used and most well-known product, it vitally contributes to the popularity of the TeamViewer brand. TeamViewer’s various features, its fast connectivity and its compatibility with a wide range of devices and operating systems all enable customers and users worldwide to implement their own use cases.

TeamViewer Tensor
TeamViewer Tensor is TeamViewer’s enterprise solution. In addition to the functionality of the regular TeamViewer solution, it includes extra functionalities that large companies require, e.g. granular role and access management or deeper integration into companies’ IT landscapes through features like Single Sign-on.

TeamViewer Remote Access
TeamViewer Remote Access is the entry-level version of TeamViewer and facilitates remote access to specific devices that are defined in advance. The solution does not include meeting functionalities or a support function and is typically intended for use when working from home.

TeamViewer IoT
TeamViewer IoT is the TeamViewer solution for devices outside of the traditional office environment. The software can be used on smart devices without a display, keyboard or mouse and is therefore particularly suitable for Industry 4.0 scenarios. These include, for example, remote control of robots, monitoring of industrial machinery and disruption management.

TeamViewer Remote Management
TeamViewer Remote Management automates back-end IT processes and centralises the management of all a company’s IT devices, incl. malware protection, data back-up and patch management. TeamViewer Remote Management is aimed mainly at two large customer groups: IT administrators and IT managers in small, medium and large businesses as well as managed service providers.

TeamViewer Pilot
TeamViewer Pilot, which was launched in 2018, is TeamViewer’s augmented reality solution, which enables the user on site to be provided with live support by technical experts (for example, engineers or mechanics) via shared smartphone or smart-glasses camera streaming. Possible applications include scenarios in which a field service is involved, e.g. telecoms providers or repairs.

TeamViewer Meeting (Blizz)
Since its launch in 2005, TeamViewer has included meeting functionalities like audio and video conferences, instant messaging and screen sharing. In 2016 TeamViewer launched a stand-alone meetings product brand-named Blizz on the market, which can be used separately and has been conceptually designed solely for online meetings. The group plans to offer Blizz in the future as an add-on for TeamViewer and TeamViewer Tensor under the name TeamViewer Meeting.

Monitis
Monitis is TeamViewer's solution for the continuous monitoring of websites, servers and applications. The website monitoring functionalities focus on access time optimisation, page load time speed, shop transactions and website stress tests.

Markets and sales model

TeamViewer operates worldwide and had subscribers in nearly every country around the world as at 31 December 2019. TeamViewer subdivides its markets into the EMEA (Europe, Middle East and Africa), AMERICAS (North, Central and South America) and APAC regions. In the 2019 fiscal year, EMEA was the region that generated the most sales, followed by AMERICAS and APAC. At country level, the USA is the largest market, followed by the home market, Germany.

TeamViewer pursues a three-level sales strategy. The first level involves the free download and use of the software by non-commercial users. The combination of free non-commercial use, zero-barrier installation and the product's high degree of performance capability yield a viral sales model, which has generated a massive user base and has led to TeamViewer's high brand awareness.

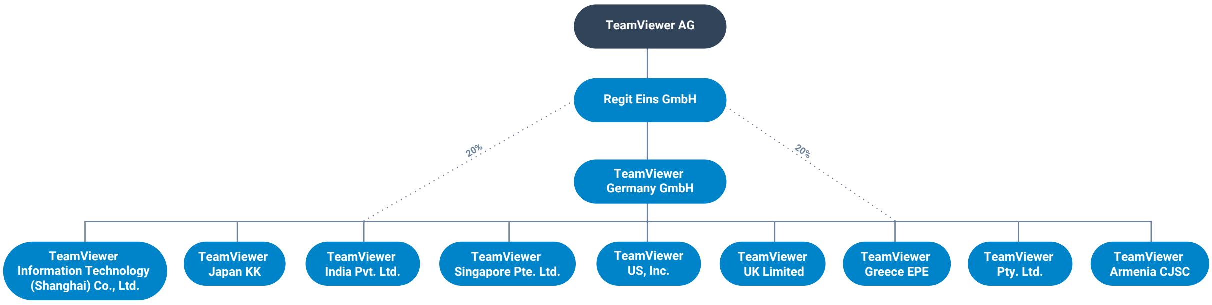
The second level involves sales of subscriptions, which are aimed at users operating in commercial environments. Here, TeamViewer opts to apply low entry-level pricing for small and medium-sized enterprises and adopts a varied customer acquisition approach that includes a web shop, dedicated sales teams, e.g. for the enterprise segment, as well as channel partners and resellers. Furthermore, TeamViewer utilises algorithms to detect unlicensed commercial use.

The third level involves exploiting upselling and cross-selling potential. TeamViewer regards upselling as extending the scope of any licence, while it views cross-selling as selling other TeamViewer products to existing customers. TeamViewer benefits from its products' high degree of performance capability and broad range of use cases, with the result that many existing customers regularly update their licences to meet new requirements and cater for new use cases.

Organisation and group structure

Legal structure

The TeamViewer Group comprises TeamViewer AG, based in Göppingen, and its subsidiaries. TeamViewer AG was established by way of a change in the legal form of Regit Beteiligungs-GmbH, which was founded on 3 July 2019, into a stock corporation on 3 September 2019 (date of entry in the commercial register). It acts as the holding company for the TeamViewer Group and is responsible for the common management and steering of the Group. The operational side of the business is managed by TeamViewer Germany GmbH, an indirect fully owned subsidiary of TeamViewer AG, and its subsidiaries. The Group comprises 12 affiliated companies in total. TeamViewer AG is continuing the consolidated financial statements of Regit Eins GmbH.



The consolidation scope of the group has changed during the fiscal year 2019 compared to the previous year. As part of the changes in corporate structure in advance of the IPO, several foreign subsidiaries of TLO were incorporated into the group. The expenses of these subsidiaries, however, had already been included in the Group, because they had been oncharged to TeamViewer Germany GmbH.

Details about changes to the legal structure in advance of the IPO can be obtained from note 4 *Structure of the Group* of the Notes to the Consolidated Financial Statements.

The TeamViewer AG management report forms part of the consolidated group management report. The development of TeamViewer AG in the fiscal year since its establishment is explained in section B.10 *Management report of TeamViewer AG*.

Management and control

The Management Board of TeamViewer AG comprised two members as at 31 December 2019:

- Oliver Steil, Chairman of the Management Board/CEO
- Stefan Gaiser, Member of the Management Board/CFO

The Supervisory Board of TeamViewer AG comprised six members as at 31 December 2019:

- Dr Abraham Peled, Chairman of the Supervisory Board
- Jacob Fonnesbech Aqraou, Deputy Chairman of the Supervisory Board
- Stefan Dziarski, Member of the Supervisory Board
- Holger Felgner, Member of the Supervisory Board
- Dr Jörg Rockenhäuser, Member of the Supervisory Board
- Axel Salzmann, Member of the Supervisory Board

Locations & employees

The headquarters of the TeamViewer Group and the central sales office for the EMEA region are located in Göppingen (Germany). Other key locations are Largo, Florida (USA) and Adelaide (Australia), which are the central sales offices for the AMERICAS and APAC regions, respectively. TeamViewer also operates several local sales offices, for example in Mumbai (India), Shanghai (China), Tokyo (Japan), and Singapore. Furthermore, the Group operates R&D facilities in Yerevan (Armenia) and, since the end of 2019, in Ioannina (Greece). The TeamViewer Group employed a total of 841 full-time equivalents (FTE) as at 31 December 2019.

Segments

The TeamViewer Group is managed on a single-segment basis with the TeamViewer platform serving as the foundation. Reporting on the platform is based on the EMEA, AMERICAS and APAC geographic regions as reporting units.

Objectives and strategies

Strategic initiatives

TeamViewer's objective is to facilitate unlimited global connectivity – across all devices, operating systems and conceivable use cases. The Company's strategic focus pursues the overriding objective of exploiting long-term growth potential and increasing shareholder value steadily. The growth strategy is based on the following three cornerstones: increasing the number of applications and use cases of the TeamViewer software, coverage of additional customer segments and geographic expansion.

Increase in use cases
TeamViewer is convinced that plenty of scope for increasing the number of use cases for TeamViewer products is being generated by digital transformation in companies. TeamViewer's large user and customer base represents an important source of new use cases. Therefore, TeamViewer continuously takes input from the user and customer base into consideration, to identify new use cases jointly with users and to address these either via the existing product portfolio or selectively develop add-ons or new products for that purpose, like TeamViewer IoT, for example. By steadily increasing the number of use cases, TeamViewer expects both to gain new subscribers and exploit upselling and cross-selling opportunities within its existing customer base.

Coverage of additional customer segments
In addition to the large number of private users that use TeamViewer free of charge (free user community), TeamViewer is addressing a broad spectrum of customer segments with its products, ranging from individual commercial users to very large companies (enterprise segment). The bulk of the TeamViewer Group customer base has historically been classified as coming from the medium-sized enterprise sector. Based on this, TeamViewer is increasingly focusing on enterprise customers as well as on small businesses and individual users, in order to achieve comprehensive coverage of all segments. The launch of TeamViewer Tensor with its specific functionalities, such as Single Sign-on or Conditional Access, has put the prerequisites on the product side in place to meet the requirements of the enterprise segment. Through increased sales and marketing activities as well as continuous enhancement of the product, Team Viewer is aiming to grow its presence in large organisations further. At the same time, TeamViewer is targeting small businesses and individual commercial users with its entry-level product, TeamViewer Remote Access.

Geographic expansion
TeamViewer has customers in almost every country and therefore operates on a global basis already. In the past, TeamViewer's sales activities were managed from three central sales offices in Germany, the USA and Australia for the EMEA, AMERICAS and APAC regions respectively. In 2018 and 2019 TeamViewer specifically upscaled its sales and marketing activities in strategic growth markets across all regions, often combining this with the establishment of local sales offices, like, for example, in India, China, Japan, and Singapore. TeamViewer intends to continue upgrading local sales and marketing activities and putting the corresponding teams in place, in order to exploit growth potential, especially in these strategic growth markets for TeamViewer, by adapting more to local circumstances.

Acquisitions
The development of the TeamViewer Group so far is based almost exclusively on organic growth. Nevertheless, acquisitions represent another strategic option to TeamViewer alongside the above-mentioned organic growth initiatives. TeamViewer continuously monitors potential acquisition targets, that would complement the organic growth strategy in a reasonable way.

Management system

Description of the management system

To manage and monitor the Group's development, TeamViewer has implemented an internal corporate management system based on financial performance indicators and complemented by nonfinancial performance indicators.

These performance indicators involve TeamViewer-specific definitions, which cannot be found in sets of international or local accounting rules. However, the financial performance indicators can be bridged to indicators included in the IFRS consolidated financial statements. All performance indicators reflect the management team's view of the Company. Performance indicator levels are defined during the annual planning process and monitored on a monthly basis during the year. Thereby, actual values are compared with budgeted and prior-year values and corrective action is taken where necessary. The performance indicators are, to some extent, measured on a regional basis and also serve to manage various regional initiatives. TeamViewer distinguishes between primary performance indicators with high internal management priority and secondary performance indicators, which have subordinate internal management priority, but which still represent important informational metrics.

Primary performance indicators

In the first three quarters of 2019, TeamViewer mainly utilised the following primary performance indicators for Group management purposes:

- Billings
- Cash EBITDA

In December 2019, the cash EBITDA performance indicator was replaced by adjusted EBITDA, although there was no change in the amount or composition of this management ratio either in 2019 or in 2018. Following these adjustments, the TeamViewer management system comprised the following financial performance indicators at year-end 2019:

- Billings
- Adjusted EBITDA

Billings
Billings represent the (net) value of goods and services invoiced to the customer within a specific period. They result directly from customer contracts and are not affected by the deferral of revenue. They can be calculated from revenue as per IFRS, adjusted for the change in deferred revenue recognised in profit or loss.

Adjusted EBITDA (previously cash EBITDA)
Adjusted EBITDA is defined as operating income (EBIT) as per IFRS plus depreciation and amortisation of tangible and intangible fixed assets (EBITDA), adjusted for change in deferred revenue recognised in profit or loss during the period under consideration and for certain transactions that have been defined by the Management Board in agreement with the Supervisory Board (income and expenses). These relate to share-based compensation and special items, for example, IPO-related costs, reorganisations or litigation and other material items. The latter include Chief Financial Officer-approved items that are not related to the current operational performance, such as, for example, projects to implement requirements of the General Data Protection Regulation (GDPR).

Secondary performance indicators

Alongside the primary performance indicators described above, the following secondary performance indicators represent important informational metrics:

- Net retention rate
- Number of subscribers
- Number of employees

Net retention rate represents an important informational metric relating to customer retention and portfolio development and is calculated as annual recurring billings of existing subscription customers during the period under consideration less gross-value churn plus billings from upselling and cross-selling activities, including foreign exchange effects and expiring discounts, as a percentage of annual recurring billings in the previous period. The number of subscribers and employees also represent important informational metrics for measuring the TeamViewer Group's business performance.

Research and development

Strategic focus of R&D activities

The Management Board believes that R&D activities are of key importance to the success and growth plans of the TeamViewer Group and are given high priority accordingly. The ability to bring innovative solutions to market rapidly is a critical success factor in the dynamically evolving software industry. TeamViewer derives benefits from its technology platform, the infrastructure of which is used jointly by most products and the modular design of which generates further synergies between the products, which in turn facilitates rapid, efficient product development. TeamViewer uses agile methods for software development purposes, in order to be able to react quickly to changes and to frequently enhance the product portfolio in a customer-focused way. Furthermore, TeamViewer is in continuous contact with its customers, in order to be able to identify and address new trends at an early stage, and it obtains technological input via partnerships, hackathons and participating in meetups and other industry events.

Innovations in the 2019 fiscal year

During the 2019 fiscal year, one focus of R&D activities was on the simplification of processes and usability enhancements for TeamViewer's core product as well as on the creation of compatibility with other devices (e.g. new smartphones) and additional third-party provider platforms. Another focus was on developing new functionalities for the TeamViewer Tensor enterprise solution. For example, a newly developed granular role and access management (Conditional Access) feature enables specific authorisation rules for the remote control of devices, file transfers and meetings to be configured. The release of TeamViewer Pilot 2.0 facilitates connections on a range of different augmented reality glasses (smart glasses) as well as mobile-to-mobile connections. In the IoT area, the focus was on developing additional features (e.g. device onboarding, which facilitates a fast setup of new devices), broader support of other devices and operating systems and enhancing usability. Furthermore, TeamViewer developed an IoT Starter Kit together with various partners like Bosch and Dell, which makes it easy for the customer to start using the IoT product via a preconfigured TeamViewer IoT solution. The Patch Management function was also added to TeamViewer Remote Management, enabling IT departments to centrally roll out relevant security updates for software.

R&D organisation

At the end of the fiscal year, 254 full-time equivalents (FTE) were employed in the R&D department throughout the Group (previous year[7]: 212). This corresponds to an increase of +20 %. The majority of these employees work in Germany, especially in Göppingen as well as in the locations of Stuttgart and Karlsruhe, both in close vicinity of universities. TeamViewer also operates an R&D facility in Armenia and at the end of 2019 opened another R&D facility in Ioannina (Greece), again in close vicinity of a university. These international locations enable TeamViewer to gain access to qualified local talent.

R&D expenditure

In the fiscal year 2019, expenses for R&D amounted to EUR 37.9 million (previous year: EUR 23.0 million). This includes personnel costs, costs of work performed and services provided by service providers and cooperation partners as well as depreciation and amortisation. TeamViewer's expenses for R&D excluding depreciation and amortisation and considering the adjustments corresponding to the definition of adjusted EBITDA amounted to EUR 28.0 million (previous year: EUR 21.1 million). This amount corresponds to 8.6 % of billings (2018: 9.2 %).

7 The contributed foreign entities are included in the calculation of FTE figures on a pro-forma basis already from 1 January 2018

02 Economic report

Macroeconomic[8] and industry-specific conditions

Macroeconomic conditions

For the year 2019 the Kiel Institute for the World Economy (IfW) in December 2019 forecast an increase in global production of +3.0 % after a rise of +3.7 % in 2018. The world economy thus continued to expand, albeit at a slower pace than in the previous year. This development was the result of a global weakening of industrial production and an almost flat trend of global trade. On top of this, the momentum in the so far relatively robust services sector weakened during 2019. In addition to the strain on world investment activity, the global increase in political uncertainty - in particular, the continuing trade conflict between the USA and China and the upcoming departure of the United Kingdom (UK) from the European Union (EU) - was increasingly affecting the other parts of the economy.

Industry-related conditions

By contrast, the economic development of TeamViewer is closely linked to the willingness of companies to invest in the digital transformation of their business models and processes and, in this connection, in software-as-a-service (SaaS). Market research institute IDC forecast a volume of corporate spending on digital transformation of USD 1.18 trillion for 2019, equivalent to a year-on-year increase of +17.9 %[9]. The SaaS market displayed similar momentum; the market research firm Gartner projected a growth of +16.1 % to USD 99.5 billion for the SaaS market in 2019[10]. The market for connectivity platforms showed an even stronger growth. A study by McKinsey and Company estimated the market for connectivity platforms at EUR 10.3 billion for 2018 already – at an annual growth rate (CAGR) of +20 % since 2014[11]. Furthermore, TeamViewer has commissioned Nucleus Research to prepare a market sizing for the market relevant for TeamViewer, which resulted in a total addressable market of USD 9.54 billion in 2019[12].

Business development

TeamViewer successfully continued its profitable growth amid a weakening economic setting in 2019 and met the business development which was forecast at the time of the IPO on 25 September 2019, even exceeding it with regard to billings generated. The developments described below accompanied this financial performance.

8 Kiel Institute Economic Outlook of the Kiel Institute for the World Economy (IfW): The global economy in winter 2019

9 IDC: https://www.idc.com/getdoc.jsp?containerId=prUS45027419

10 Gartner: https://www.gartner.com/en/newsroom/press-releases/2019-11-13-gartner-forecasts-worldwide-public-cloud-revenue-to-grow-17-percent-in-2020

11 Growing Opportunities in the Internet of Things, McKinsey & Company, 2019

12 Guidebook TeamViewer, Nucleus Research, 2019

IPO of TeamViewer AG

On 25 September 2019, trading in TeamViewer AG started on the regulated market of the Frankfurt Stock Exchange (Prime Standard). In total, 75,000,000 ordinary bearer shares with no-par value from the holdings of the selling shareholder TLO were placed with investors, consisting of 60,000,000 base shares and 15,000,000 additional shares which formed part of the upsize option. Shares were offered at a price of EUR 26.25 per share.

As of 23 December 2019, the TeamViewer AG shares were included in the MDAX and TecDAX. The MDAX comprises the 60 largest companies with the highest trading volume outside of the DAX while the TecDAX includes the 30 largest listed German technology companies.

Growth initiatives

TeamViewer continued its growth initiatives in 2019 in the strategic dimensions described in section B.01 *Group fundamentals*:

- Increase in use cases
- Coverage of additional customer segments and
- Geographic expansion

Increase in use cases

To support the digital transformation of companies and to utilise the potential for increasing the use cases for TeamViewer's solutions, the Company in 2019 continued with the systematic development of the new products it introduced in 2018.

In addition to simplifying processes and improving the user friendliness of the TeamViewer core product, as well as making it compatible with new platforms of third-party providers, the Company expanded the enterprise product Tensor by including new functionalities such as improved access management (conditional access).

One example of innovative new use cases is the release of TeamViewer Pilot 2.0 in September 2019. The augmented reality solution TeamViewer Pilot allows live support in the field without the need for on-site experts, using video transmissions containing augmented reality elements. The release of TeamViewer Pilot 2.0 moreover enabled connections to various augmented reality glasses and mobile-to-mobile connections.

For the IoT solution the focus was on developing additional features, a broader support of additional devices and operating systems and on improving user friendliness. Among other things, TeamViewer introduced an IoT starter kit to make it easier for customers to begin using the IoT product through a preconfigured IoT solution.

Furthermore, a patch management function was added to TeamViewer Remote Management, allowing IT departments to run relevant security updates for software centrally.

To continue driving the development of innovative solutions, in the fiscal year 2019 TeamViewer inaugurated a new R&D hub in Greece in close vicinity of a university.

Coverage of additional customer segments

In the fiscal year 2019 TeamViewer substantially expanded its presence in the enterprise segment with its new enterprise product Tensor, which is geared to large customers. The number of subscribers with an annual contract value of more than EUR 10,000 increased significantly compared to the previous year. Furthermore, the volume of the 50 largest deals in the fiscal year 2019 has increased by +60 % compared to the previous year. This growth was achieved based on the continuing strengthening of sales activities in the enterprise segment across all regions. In addition, the new entry-level product Remote Access, which is primarily aimed at small businesses and individual commercial users, was successfully launched on a number of test markets.

Geographic expansion

In 2019, TeamViewer systematically strengthened its local sales and marketing activities in order to continue with its geographic expansion. It focused on the expansion of the sites established in 2018 (India, China, Japan and Singapore) in the APAC region and on intensifying its sales and marketing activities in the AMERICAS region. Overall, the number of FTE in sales and marketing in 2019 increased to 388 (2018: 268), of whom 186 (2018: 122) were employed outside the EMEA region. Local sales staff were additionally hired in Europe, particularly for sales activities in the enterprise segment. As a result, TeamViewer now has sales staff in seven European countries.

Investment in infrastructure

To support global growth, the TeamViewer Group in the fiscal year 2019 continued to invest in the expansion of its infrastructure, particularly through the introduction of new Enterprise Resource Planning (ERP), Customer Relationship Management (CRM) and e-commerce systems. It also made replacement and expansion investments in the security architecture and the global network and IT infrastructure. Overall, investments of the Group in the fiscal year 2019 increased to EUR 16.6 million (2018: EUR 11.5 million).

Comparison between actual and forecast business development

In the context of the IPO in September 2019 TeamViewer projected the following business development, which it specified when releasing its results for the third quarter of 2019 in November, stating that billings are expected to be at the upper end and adjusted EBITDA in the middle of the forecast range:

	Forecast (September 2019)	**Actual figure 2019**
Billings	EUR 310 to 320 million	EUR 324.9 million
Growth YoY (in %)	+35 % to +39 %	+41.4 %
Revenue	EUR 386 to 391 million	EUR 390.2 million
Adjusted EBITDA	EUR 177 to 183 million	EUR 182.1 million

The billings generated in the fiscal year 2019 amounted to EUR 324.9 million and exceeded the upper end of the forecast range. Revenue and adjusted EBITDA were at the upper end of the projected range.

Impact of IFRS 16 on earnings, assets and financial position of the TeamViewer Group

In the fiscal year 2019, TeamViewer adopted IFRS 16 Leases under the modified retrospective method for the first time. The standard stipulates that all leases (except those for leased assets of low value) with a lease term of more than twelve months must be recorded on the lessee's balance sheet. Consequently, rights of use from such leases are capitalised and depreciated on a straight-line basis over the lease term whereas in the prior-year period expenses from operating leases were recognised in operating income. The corresponding lease payments are recognised as a liability, taking into account the interest effect. The adjusted EBITDA in the fiscal year 2019 was increased by EUR 3.8 million through the adoption of IFRS 16. The financial impact on TeamViewer related to the adoption of IFRS 16 is described in note 22 *Leases* of the Notes to the Consolidated Financial Statements.

Earnings position of the Group

TeamViewer uses the financial performance indicators billings and adjusted EBITDA (previously cash EBITDA) to manage the Company (management view). Alongside the development of IFRS key performance indicators, the following section therefore also details the development of these performance indicators.

In condensed form, the key performance indicators of the earnings position of TeamViewer Group are as follows[13]:

In EUR million	2019			2018		
	IFRS	Reconciliation	Management view	IFRS	Reconciliation	Management view
Revenue/ billings	**390.2**	(65.2)	324.9	**258.2**	(28.3)	229.8
EBITDA[14]/ Adjusted EBITDA	**189.5**	(7.4)	182.1	**137.2**	(16.7)	120.6
EBITDA in % of revenue/ Adjusted EBITDA in % of billings	**48.6 %**	+7.4 pp[15]	56.0 %	**53.2 %**	(0.7) pp	52.5 %
EBIT	**153.0**			**107.1**		
Profit/(loss) for the year	**103.9**			**(12.4)**		

Development of billings and revenue

Since 2019, TeamViewer has been selling all its products using a subscription model. The business model was switched from a perpetual licence model to a subscription model over a period of several years and across the different regions. The switch was completed in 2018. Under the perpetual licence model, revenue was deferred over three years (up to TeamViewer version 11: four years); by contrast, in the subscription model revenue is deferred over the subscription period (usually twelve months). The revenue development in 2019 and 2018 includes the release of deferred revenue from perpetual licences totalling EUR 125.5 million (2019) and EUR 121.7 million (2018).

13 Negative figures in the tables are shown in brackets
14 Although EBITDA does not constitute an IFRS key performance indicator, it has been included in the table in the interests of transparency
15 pp=percentage points

Billings

Billings represent the (net) value of goods and services invoiced to the customer within a specific period. They result directly from customer contracts and are not affected by the deferral of revenue. They can be calculated from revenue as per IFRS, adjusted for the change in deferred revenue recognised in profit or loss.

The management team of the TeamViewer Group therefore uses billings as a key indicator to observe, measure and assess the Company's performance.

Broken down by region, billings in the fiscal year 2019 and the prior-year period are as follows:

In EUR million	2019 (share of total billings)		2018 (share of total billings)	
EMEA	174.0	53.5 %	129.5	56.4 %
AMERICAS	109.8	33.8 %	69.2	30.1 %
APAC	41.2	12.7 %	31.1	13.5 %
Total billings	**324.9**	**100.0 %**	**229.8**	**100.0 %**

TeamViewer's billings in the fiscal year 2019 rose by +41.4 % over the previous year to EUR 324.9 million (2018: EUR 229.8 million). The increase in billings is attributable to growth with existing customers and the strong increase in new subscribers. All regions contributed to this positive development with substantial double-digit percentage growth rates.

Accounting for 53.5 % of total billings (2018: 56.4%), the EMEA region remained the Group's largest region in the fiscal year 2019. Billings in this region increased by +34.3 % in 2019. Growth was generated with both existing and new customers, particularly in the enterprise segment.

The AMERICAS region accounted for the second largest share of total billings in 2019, at 33.8 % (2018: 30.1 %). With billings growth of +58.6 % in the fiscal year 2019, AMERICAS was the fastest growing region. Here, too, both the existing customer business and the expansion of the new customer business, particularly in North America, contributed to growth.

The Group generated 12.7 % (2018: 13.5 %) of total billings in the fiscal year 2019 in the APAC region, which represents a +32.4 % increase compared with the previous year. This growth is attributable to higher new subscriber figures due to the successful establishment and expansion of the sales and marketing structure in India, China, Japan and Singapore and the sale of the new Remote Access product, which primarily targets small businesses and individual commercial users.

Overall, the systematic pursuit and implementation of the above-mentioned growth initiatives underpinned these positive developments.

Revenue

Revenue of the Group broken down by region in the fiscal year 2019 and the prior-year period developed as follows:

In EUR million	2019 (share of total revenue)		2018 (share of total revenue)	
EMEA	219.8	56.3 %	151.2	58.6 %
AMERICAS	122.9	31.5 %	77.5	30.0 %
APAC	47.6	12.2 %	29.5	11.4 %
Total revenue	**390.2**	**100.0 %**	**258.2**	**100.0 %**

TeamViewer generated revenue of EUR 390.2 million in the fiscal year 2019. This represents a growth of +51.1 % over the previous year (2018 revenue: EUR 258.2 million). In 2019 the Group thus continued the strong revenue growth seen in previous years. The revenue development in the fiscal year 2019 was positively influenced in all regions by the change in deferred revenue recognised in profit or loss totalling EUR 65.2 million (2018: EUR 28.3 million). A key driver was the release of deferred revenue from old, perpetual licences which is gradually expiring following the completion of the switch to a subscription model in 2018. This had a positive impact on the revenue development in the EMEA and APAC regions, in particular.

The EMEA region generated the highest absolute revenue increase of EUR +68.5 million (+45.3 %). With revenue of EUR 219.8 million in the fiscal year 2019, the EMEA region remains the Group's region with the highest revenue, accounting for 56.3 % of total revenue (2018: 58.6 %).

The AMERICAS region realised a revenue growth of +58.6 % (an increase of EUR +45.4 million) to EUR 122.9 million, equivalent to 31.5 % (2018: 30.0 %) of total revenue.

In the fiscal year 2019, the APAC region achieved the highest percentage growth rate at +61.4 % (an increase of EUR +18.1 million), thereby raising its share of total revenue to 12.2 %, up from 11.4 % in the previous year.

Revenue of the Group outside the euro area is generated in local currency and converted into euro at the exchange rates applicable on the day of the transaction. Based on the breakdown of revenue by country, the developments of the U.S. dollar (USD) and the pound sterling (GBP) against the euro (EUR) are particularly relevant. For further information on the exchange rate conversion, please see the details in the Notes to the Consolidated Financial Statements (note 3 *Material accounting and measurement methods*).

Earnings development

Total costs and other income
The development of total costs and other income at TeamViewer was related to a substantial degree to the Group's dynamic development in the past fiscal year.

The Group's **cost of sales** increased by +7.8 %, from EUR 46.6 million in 2018 to EUR 50.2 million in 2019. This increase was lower than the growth in revenue, resulting in the cost of sales as a percentage of revenue declining from 18.1 % to 12.9 %. The absolute increase in the cost of sales was driven by usage-related higher spending on payment and Internet service providers, increased personnel costs and a rise in infrastructure costs, such as expenses for routers.

Gross profit, defined as revenue less cost of sales, grew by +60.7 %, from EUR 211.5 million to EUR 340.0 million in the fiscal year 2019.

Other income amounted to EUR 7.7 million in the fiscal year 2019, versus EUR 1.6 million in the previous year. This development was heavily influenced by the IPO of TeamViewer AG. Other income essentially comprises the oncharge of expenses incurred in connection with the IPO to the selling shareholder TLO.

R&D costs in 2019 increased by +64.6 % to EUR 37.9 million (2018: EUR 23.0 million). In particular, the further workforce expansion together with the cost of launching and developing products such as Tensor, IoT and Pilot and the cost of expanding the IT infrastructure, which is allocated to R&D costs, caused this development. Expenses from share-based compensation and bonus payments to employees related to the IPO additionally contributed to the increase in costs.

The development of **sales expenses** was marked by the strong expansion of the sales structure. The rise of +73.1 % to EUR 52.7 million in 2019 (2018: EUR 30.5 million) reflects the expansion of the sales organisation, such as the establishment of the sales subsidiaries in India, China, Japan and Singapore, as well as the further expansion of the U.S. sales team and the sales organisation for enterprise customers. Expenses from share-based compensation and bonus payments to employees related to the IPO constituted a further material driver of the increase.

The +64.5 % growth in **marketing costs** at TeamViewer to EUR 29.6 million (2018: EUR 18.0 million) was in line with the Company's growth strategy as well. This increase was attributable to the expansion of the regional and local marketing activities, the launch of new solutions and products and the tapping of new customer segments. Expenses from share-based compensation and bonus payments to employees related to the IPO also contributed significantly to the increase in marketing costs.

General and administrative (G&A) expenses in the fiscal year 2019 totalled EUR 58.4 million, equivalent to a more than twofold increase over the previous year (2018: EUR 26.1 million). This rise was essentially due to expenses from share-based compensation from TLO. Costs incurred in preparing the IPO were also recorded in G&A expenses. These costs were reimbursed by TLO with the reimbursements being recognised in other income.

Other expenses amounted to EUR 0.5 million in the fiscal year 2019 versus EUR 0.2 million in the previous year.

Bad debt expenses increased by +87.1 % to EUR 15.5 million in the fiscal year 2019 (2018: EUR 8.3 million).

Operating profit (EBIT) and adjusted EBITDA

Operating profit (EBIT) pursuant to IFRS amounted to EUR 153.0 million in the fiscal year 2019 (2018: EUR 107.1 million), which represents a year-on-year growth of +42.9 %. EBIT as a percentage of revenue declined slightly, from 41.5 % to 39.2 %, primarily due to expenses from share-based compensation and costs incurred due to the IPO (including IPO bonus payments to employees).

Depreciation, amortisation and impairment losses on tangible and intangible assets, which are included in total costs, increased by +21.0 % to EUR 36.4 million in 2019 (2018: EUR 30.1 million). The increase was primarily attributable to the first-time adoption of IFRS 16 Leases, which led to additional depreciation and amortisation of EUR 3.5 million. Amortisation on acquired customer relationships amounted to EUR 23.6 million (2018: EUR 23.6 million).

EBITDA of the Company, defined as EBIT pursuant to IFRS plus depreciation and amortisation, grew from EUR 137.2 million in 2018 to EUR 189.5 million in 2019, equivalent to an increase of +38.1 %. EBITDA as a percentage of revenue declined from 53.2 % in the fiscal year 2018 to 48.6 % in the fiscal year 2019, mainly due to the expenses from share-based compensation and costs incurred due to the IPO (including IPO bonus payments to employees).

Adjusted EBITDA (until Q3 2019: cash EBITDA) adjusted for the change in deferred revenue recognised in profit or loss and for certain transactions defined by the Management Board in agreement with the Supervisory Board grew by +51.0 % to EUR 182.1 million in the fiscal year 2019 (2018: EUR 120.6 million). The table below shows the reconciliation from EBITDA to adjusted EBITDA for the fiscal years 2019 and 2018:

In EUR million	2019	2018
EBITDA	**189.5**	**137.2**
Change in deferred revenue recognised in profit or loss	(65.2)	(28.3)
Expenses for share-based compensation	36.8	1.8
Expenses (and income) in connection with the IPO	10.8	0.1
Other special items to be adjusted	10.2	9.7
Adjusted EBITDA	**182.1**	**120.6**

In addition to the change in deferred revenue recognised in profit or loss, totalling EUR 65.2 million (2018: EUR 28.3 million), expenses (less corresponding income) amounting to EUR 57.9 million (2018: EUR 11.7 million) were adjusted in 2019. These adjustments related primarily to expenses in connection with share-based compensation programmes issued by TLO of EUR 36.8 million (2018: EUR 1.8 million), which will be paid in full by TLO and **will not have an effect on the liquidity of the TeamViewer Group**.

Further material items that were adjusted, unrelated to the underlying operating performance of TeamViewer, consisted in particular of IPO costs and bonus payments to employees in connection with the IPO totalling EUR 10.8 million (2018: EUR 0.1 million). In addition, in the fiscal year 2019 especially expenses from the continued implementation of requirements resulting from the GDPR and from special projects designed to improve IT security (EUR 3.5 million) and from reorganisations (EUR 3.2 million) were adjusted, as were expenses for certain legal disputes (EUR 2.5 million). In the fiscal year 2018, these other adjustments related primarily to special items in connection with the implementation of GDPR requirements and special IT projects (EUR 5.3 million) together with reorganisations (EUR 3.5 million).

Adjusted EBITDA as a percentage of billings increased to 56.0 % in the fiscal year 2019 (2018: 52.5 %). The main reason for this increase was economies of scale due to the pronounced growth in billings. Furthermore, the first-time adoption of IFRS 16 Leases in the fiscal year 2019 had a positive effect of EUR 3.8 million on EBITDA and thus adjusted EBITDA. While expenses from leases were recognised within EBITDA in the previous year, leases are recognised pursuant to IFRS 16 in the consolidated statements of profit or loss within amortisation and depreciation (EUR 3.5 million) and in the financial result (finance costs: EUR 0.3 million).

Earnings before taxes (EBT)

In the fiscal year 2019, **unrealised foreign exchange gains** amounted to EUR 7.8 million compared to a loss of EUR 20.8 million in the fiscal year 2018. This development was primarily driven by the impact of the U.S. dollar/euro exchange rate on the U.S. dollar-denominated tranche of financial liabilities. **Realised foreign exchange losses** increased from EUR 0.2 million in the fiscal year 2018 to EUR 20.7 million in the fiscal year 2019. They were incurred in connection with the 2017 syndicated loan, which was repaid as part of the refinancing. These losses were also primarily attributable to the development of the U.S. dollar/euro exchange rate.

In the fiscal year 2019, **finance income** improved from EUR 12.3 million to EUR 38.9 million, mostly due to a measurement effect in respect of derivatives embedded in the 2017 syndicated loan. **Finance costs** decreased from EUR 94.0 million in the fiscal year 2018 to EUR 83.9 million in 2019 on account of lower interest expenses to lenders and the early amortisation of income in the course of the refinancing. The decline in interest expenses was mainly attributable to the reduction in financial liabilities in the course of the refinancing, which moreover resulted in more favourable interest rate terms. The contribution of a shareholder loan and conversion in equity in preparation of the IPO by TLO also led to a reduction in financial liabilities and thus in interest expenses.

On the basis of these developments, **earnings before taxes (EBT)** in the fiscal year 2019 grew to EUR 95.1 million (2018: EUR 4.5 million).

Profit/(loss) for the year
Net **tax income** in the fiscal year 2019 amounted to EUR 8.7 million, thereof EUR 12.6 million current tax expense and EUR 21.3 million deferred tax income. 2018 net tax expense amounted to EUR 16.9 million, thereof EUR 3.4 million current tax expense and EUR 13.6 million deferred tax expense.

The net deferred tax income in the fiscal year 2019 essentially resulted from the first-time recognition of a deferred tax asset related to the interest carryforward as at 31 December, which it is assumed can be used in full over the next years.

Profit/(loss) for the year improved to a profit of EUR 103.9 million in the fiscal year 2019, compared to a loss of EUR 12.4 million in 2018. This resulted in positive earnings per share of EUR 0.52 (2018: EUR -0.06[16]).

Assets and financial position of the Group

Asset position of the Group

The structure of TeamViewer's assets is presented in the following condensed balance sheet excerpt (assets) as at the end of the 2019 and 2018 fiscal years:

In EUR million	31 December 2019 (share of total assets)		31 December 2018 (share of total assets)	
Non-current assets	865.2	90.2 %	839.9	88.6 %
Current assets	93.7	9.8 %	108.4	11.4 %
Total assets	**958.9**	**100.0 %**	**948.2**	**100.0 %**

Total assets of the Group as at 31 December 2019 amounted to EUR 958.9 million (31 December 2018: EUR 948.2 million). Like in the previous year, at EUR 865.2 million as at 31 December 2019 (31 December 2018: 839.9 million), most of the asset side of the balance sheet consisted of non-current assets. Current assets totalled EUR 93.7 million (31 December 2018: EUR 108.4 million).

The Company's **non-current assets** at 31 December 2019 comprised goodwill, intangible assets, property, plant and equipment, financial assets, other assets and deferred tax assets.

Goodwill represented the largest item within non-current assets, totalling EUR 590.4 million as at 31 December 2019 (31 December 2018: EUR 584.3 million). The EUR +25.3 million increase in non-current assets in the fiscal year 2019 resulted primarily from a rise in property, plant and equipment of EUR +24.2 million, which was due to the first-time adoption of IFRS 16 Leases and the capitalisation of rights-of-use assets from leases it entailed, prompting property, plant and equipment to grow by EUR +21.8 million. Due to amortisation during the fiscal year 2019, intangible assets as at 31 December 2019 declined to EUR 235.8 million, from EUR 252.6 million as at 31 December 2018. Deferred tax assets as at 31 December 2019 amounted to EUR 6.3 million (31 December 2018: deferred tax liabilities of EUR 18.6 million). The increase was essentially attributable to the first-time recognition of the interest carryforward.

TeamViewer's **current assets** as at 31 December 2019 comprised trade receivables, other assets, tax assets, financial assets and cash and cash equivalents.

16 Earnings per share in 2018 were calculated on the basis of the hypothetical assumption that TeamViewer AG had already issued 200 million shares

Cash and cash equivalents of EUR 71.2 million (31 December 2018: EUR 79.9 million) represented the largest item in current assets, followed by trade receivables of EUR 11.8 million as at 31 December 2019 (31 December 2018: EUR 15.4 million). The EUR -14.6 million reduction in current assets in the fiscal year 2019 was mainly caused by a decrease in financial assets of EUR -9.7 million due to the derecognition of the derivatives embedded in the syndicated loan as part of the refinancing. Tax assets for current income taxes as at 31 December 2019 totalled EUR 5.0 million after tax liabilities of EUR 0.5 million had been reported as at 31 December 2018. The development was attributable to tax prepayments made in the fiscal year 2019.

Financial position of the Group

Basic principles of financial management

TeamViewer's financial management is geared to safeguarding the financial stability, flexibility and liquidity of the Group. It comprises the capital structure management and financing of the Company, cash and liquidity management and the monitoring and managing of market price risks, such as exchange rate and interest rate risks. The financing structure of TeamViewer is designed to preserve the Company's financial room for manoeuvre, enabling it to take advantage of business and investment opportunities. This is achieved through a balanced equity/debt ratio. Pursuant to the terms of the loan agreements dating from 2019, the Group must comply with certain covenants (leverage ratio covenant[17]) (see note 16 *Financial liabilities* in the Notes to the Consolidated Financial Statements).

Capital structure of the Group

The changes in TeamViewer's capital structure in the fiscal year 2019 resulted essentially from the contribution of a loan prior to the IPO by the majority shareholder TLO and the repayment of loans in the course of the refinancing as at 27 September 2019.

The condensed capital structure (equity and liabilities) as at the end of the fiscal years 2019 and 2018 is as follows:

In EUR million	31 December 2019 (share of total equity and liabilities)		31 December 2018 (share of total equity and liabilities)	
Equity	91.9	9.6 %	(216.5)	(22.8 %)
Non-current liabilities	585.7	61.1 %	747.7	78.9 %
Current liabilities	281.4	29.3 %	417.1	44.0 %
Total equity and liabilities	**958.9**	**100.0 %**	**948.2**	**100.0 %**

Total equity and liabilities of the TeamViewer Group increased to EUR 958.9 million as at 31 December 2019 (31 December 2018: EUR 948.2 million).

Equity

Equity amounted to EUR 91.9 million as at 31 December 2019 and thus substantially exceeded the negative equity figure of EUR -216.5 million recorded as at 31 December 2018. The Group's issued capital amounted to EUR 200.0 million as at 31 December 2019 and was divided into 200 million ordinary bearer shares with no-par value. The increase in issued capital was based on the contribution of all shares in Regit Eins GmbH on

17 Leverage ratio covenant = net financial debt/pro forma EBITDA, as defined by the loan agreement

1 August 2019 to TeamViewer AG (then: Regit Beteiligungs-GmbH). At the same time, the accumulated losses increased by the same amount because the contribution of Regit Eins GmbH's shares was an event under common control which does not impact the total amount of equity in the Group consolidated financial statements in accordance with IFRS. The profit/(loss) for the period generated by the Company increased equity by EUR +103.9 million.

The rise in the capital reserve in the fiscal year 2019 is primarily due to a contribution made by majority shareholder TLO and the contribution of foreign companies (see note 4 *Structure of the Group* in the Notes to the Consolidated Financial Statements) amounting to EUR +167.5 million, of which the main component was the contribution of a loan by TLO. Furthermore, the expenses for TLO's share-based compensation pursuant to IFRS 2 prompted a EUR +36.8 million increase in the capital reserve.

As a result, the equity ratio at the end of the fiscal year 2019 was 9.6 % compared with -22.8 % at the end of 2018.

Non-current and current liabilities

The Group's **non-current liabilities** as at 31 December 2019 were EUR 585.7 million and thus below the EUR 747.7 million recorded as at 31 December 2018. Non-current liabilities as a percentage of total equity and liabilities accordingly decreased to 61.1 % (31 December 2018: 78.9 %). Within this item, financial liabilities, in particular, showed a decline to EUR 582.5 million (31 December 2018: EUR 678.8 million) due to the repayment of loans in the course of the refinancing in September, which led to a repayment of existing financing and a replacement by new syndicated loans. The non-current portion of deferred revenue decreased to EUR 2.6 million (31 December 2018: EUR 47.2 million) due to the completion of the switch of the business model to a subscription model in 2018.

TeamViewer's **current liabilities** as at 31 December 2019 amounted to EUR 281.4 million, which represents a EUR -135.7 million decline over the previous year (31 December 2018: EUR 417.1 million). The decrease was primarily the result of the contribution of the loan by majority shareholder TLO prior to the IPO, which led to a reduction in current financial liabilities. As at 31 December 2019, they amounted to EUR 34.3 million versus EUR 154.8 million as at 31 December 2018. Although deferred revenue declined to EUR 210.3 million (31 December 2018: EUR 233.4 million), it still accounted for the majority of current liabilities. The deferred revenue will be realised in profit or loss in the following years and will therefore positively contribute to earnings.

As at 31 December 2019, the financial liabilities of the TeamViewer Group were as follows:

		31 December 2019			
In EUR million	**Currency**	**Nominal interest rate**	**Year of maturity**	**Principal amount (EUR)**	**Carrying amount (EUR)**
Syndicated loan 2019 USD	USD	4.81 %	2024	400.6	395.4
Syndicated loan 2019 EUR	EUR	2.50 %	2024	125.0	123.4
Syndicated loan 2019 GBP	GBP	3.58 %	2024	78.3	77.3
Syndicated loan 2019 Revolving credit facility[18]	Various	Various	2024	-	(0.4)
Total interest-bearing liabilities				**603.8**	**595.7**

18 As at 31 December 2019, TeamViewer had an undrawn credit facility of up to EUR 35 million

		31 December 2018			
In EUR million	Currency	Nominal interest rate	Year of maturity	Principal amount (EUR)	Carrying amount (EUR)
TLO loan	EUR	7.00 %	2024	162.5	149.7
Syndicated loan 2017 (senior) USD	USD	7.55 %	2024	278.9	283.0
Syndicated loan 2017 (senior) EUR	EUR	5.50 %	2024	222.0	224.9
Syndicated loan 2017 (junior) USD	USD	11.05 %	2025	174.7	176.2
Syndicated loan 2017 Revolving credit facility	Various	Various	2022	-	(0.3)
Total interest-bearing liabilities				**838.1**	**833.6**

The financial liabilities mature in 2024. However, starting from the end of 2020 the Group is obliged to make a mandatory repayment of at least 5 % of the nominal value every year. The first repayment of EUR 30.2 million is due on 31 December 2020.

TeamViewer's net financial debt, defined as the sum of interest-bearing financial liabilities, current and non-current, less cash and cash equivalents, amounted to EUR 545.6 million as at 31 December 2019 (31 December 2018: EUR 753.7 million).

The **leverage ratio**, i.e. the Group's net financial debt divided by adjusted EBITDA, improved from 6.3x at the end of 2018 to 3.0x at the end of 2019. The decrease is attributable to the interplay of a high net cash from operating activities and thus lower net financial debt, as well as a higher adjusted EBITDA.

Investment and liquidity analysis

TeamViewer's condensed cash flow statements for the fiscal year 2019 and the previous year is as follows:

In EUR million	2019	2018
Cash funds at beginning of period	**79.9**	**35.2**
Net cash from operating activities	143.6	112.6
Net cash used in investing activities	(20.9)	(11.2)
Net cash used in financing activities	(136.1)	(55.9)
Net foreign exchange rate differences	-	0.3
Net change from cash risk provisioning	0.8	(0.9)
Internal combinations and transfers	3.8	-
Cash funds at end of period	**71.2**	**79.9**

TeamViewer's net **cash from operating activities** in the fiscal year 2019 amounted to EUR 143.6 million (2018: EUR 112.6 million), and thus increased by +27.6 % over the previous year. This growth is accompanied by the positive earnings development at TeamViewer.

Net cash used in investing activities was EUR -20.9 million in the fiscal year 2019 (2018: EUR -11.2 million), Investments in property, plant and equipment and intangible assets in the fiscal year 2019 amounted to EUR

16.6 million (2018: EUR 11.5 million) and concerned infrastructure, particularly the introduction of the new ERP, CRM and e-commerce systems, along with replacement and expansion investments in the security architecture and the global network and IT infrastructure of TeamViewer. Moreover, a payment of EUR 4.2 million was made for the lease of the new company building in Göppingen by way of collateral.

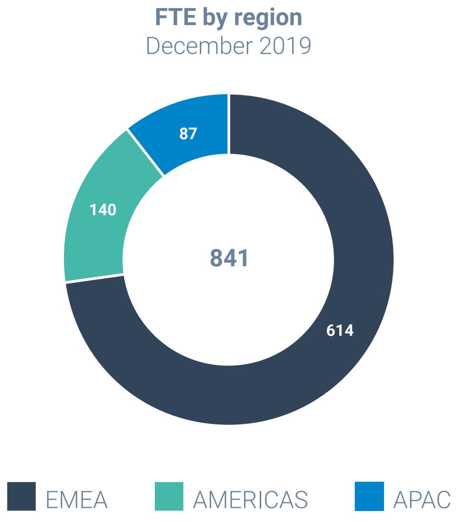
Net cash used in financing activities amounted to EUR -136.1 million in the fiscal year 2019 (2018: EUR -55.9 million). This development was mainly caused by the repayment of loans in the course of the refinancing. The repayments of and proceeds from borrowings led to a net cash outflow of EUR 86.1 million (2018: EUR 5.0 million). Moreover, cash outflows for interest payments amounted to EUR 46.1 million in the fiscal year 2019, compared to EUR 50.3 million in the previous year.

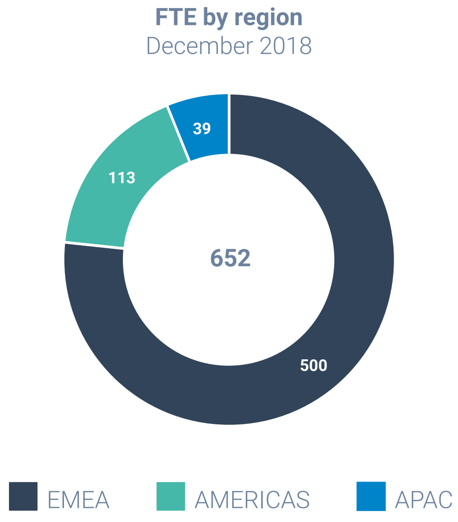
TeamViewer showed **cash and cash equivalents** as at 31 December 2019 of EUR 71.2 million and EUR 79.9 million at year-end 2018. The Group was able to meet its payment obligations at all times in the fiscal year 2019.

Employees

In 2019, the TeamViewer Group on average had 728 employees, compared to 410 employees in 2018. It should be noted, however, that in June 2019, several foreign subsidiaries were contributed to the Group and were therefore reflected in the calculation of the average from this point onwards. To enhance comparability, the employees of these subsidiaries are included in the following section on a pro-forma basis starting 1 January 2018.

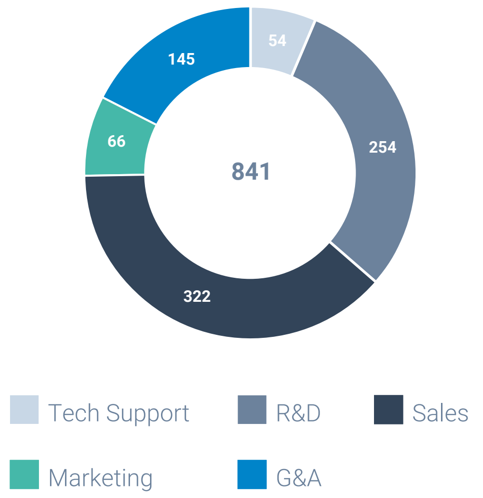
In 2019, the number of employees (headcount) increased from 689 employees as at 31 December 2018 to 879 employees as at 31 December 2019. Converted into FTEs, this corresponded to 841 FTEs as at 31 December 2019 compared with 652 FTEs as at 31 December 2018. The FTEs can be broken down to functions and regions as follows:



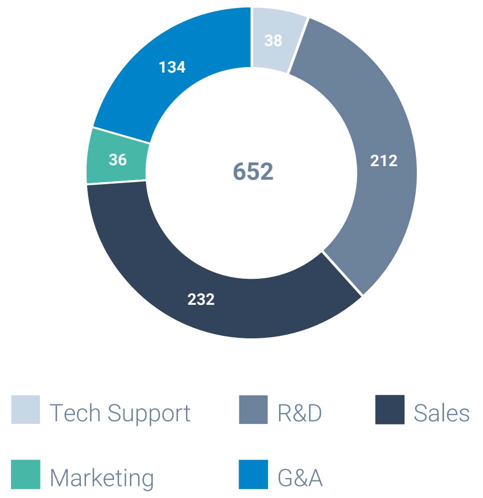


FTE breakdown by region

FTE by function
December 2019



FTE by function
December 2018



FTE breakdown by function

On average, TeamViewer had 779 employees in 2019 (746 FTEs) (2018: 669 employees, 640 FTEs).

For further information on employee matters, please see the *Nonfinancial Report* in section D.02.

General statement on the economic situation

The Management Board of TeamViewer AG considers business development in the fiscal year 2019 and the Group’s economic situation to be very positive overall. The forecast issued at the time of the IPO was achieved and partly even exceeded. Billings grew by +41.4 % over the previous year, and all regions generated double-digit growth rates. This was accompanied by an improvement in profitability and a rise in adjusted EBITDA of +51.0 % compared with the previous year. In addition, TeamViewer successfully drove important strategic growth initiatives to increase use cases, to cover additional customer segments and to expand geographically. Through its IPO in September 2019, TeamViewer has, moreover, created the basis for the expected substantial growth over the coming years.

03 Events after the reporting period

The Management Board of TeamViewer AG has approved the submission of the present consolidated financial statements to the Supervisory Board on 11 March 2020. The Supervisory Board is responsible for reviewing and approving the consolidated financial statements at its meeting on 11 March 2020.

On 4 March 2020, the majority shareholder of TeamViewer AG, TLO, announced the sale of 22 million shares in TeamViewer AG. Following the sale, TLO holds 51.5 % of the outstanding shares of the Company and thus remains a majority shareholder. In connection with the share placement, TLO agreed to a lock-up period of 90 days.

No further significant events occurred after 31 December 2019.

04 Opportunity and risk report

The TeamViewer Group seeks to continuously develop its products and adapt them to market and customer requirements, thereby facilitating a continuous improvement of its market position. Both the systematic identification and taking advantage of opportunities and the targeted controlling of risks are fundamental to TeamViewer's success. TeamViewer has implemented a risk management and control system which the Management Board of TeamViewer AG considers a key element of good corporate governance, allowing the early detection, assessment and controlled handling of potential risks.

Risk management system

The Management Board of TeamViewer AG has overall responsibility for maintaining and developing the risk management system.

Implementation of the TeamViewer risk management system was based on the Enterprise Risk Management Standards of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and on audit standards PS 340 and PS 981 of the Institute of Public Auditors in Germany (IDW). It solely covers Group risks. The risk management system comprises the following elements:

Aim of the risk management system

The risk management system seeks to provide the Management Board of TeamViewer AG with an overview of risks and to support the decision-making process at a strategic and operational level. The risk management system aims to ensure that potential risks are identified early on, assessed and mitigated quickly and comprehensively through controls and measures.

Identification and monitoring of risks

Risks are identified in a half-yearly cycle by the risk manager working in collaboration with the respective risk officers. In addition to providing regular reporting, the risk officers must examine the risks for which they are responsible on an ongoing basis. An additional ad hoc reporting has been implemented so that the Management Board and risk manager are informed of current risk events in a timely manner.

Assessment of risks

All identified risks are assessed half-yearly on the basis of the probability of their occurrence and their potential impact on the Company as far as achieving the financial and nonfinancial corporate goals, the Company's reputation and compliance are concerned. The individual risks are assessed and classified using the following matrix:

Probability of occurrence		Impact level				
Description	**Scale**	**Marginal 1**	**Minor 2**	**Moderate 3**	**Significant 4**	**Major 5**
Certain	5	Medium	High	High	Major	Major
Probable	4	Medium	Medium	High	High	Major
Likely	3	Low	Medium	Medium	High	High
Possible	2	Low	Low	Medium	Medium	High
Unlikely	1	Low	Low	Low	Medium	Medium

Looking at the financial impact, the following value thresholds apply as grounds for the classification:

Scale	**1**	**2**	**3**	**4**	**5**
Category	**Marginal**	**Minor**	**Moderate**	**Significant**	**Major**
Financial (in EUR million)	< 0,5 Adjusted EBITDA	0,5 - 3 Adjusted EBITDA	3 - 5 Adjusted EBITDA	5 - 20 Adjusted EBITDA	> 20 Adjusted EBITDA

The assessment takes place on both a gross and a net basis. The gross basis shows the risk before taking into account all risk-mitigating measures and controls. The net risk refers to the remaining risk after considering all risk-mitigating measures and controls. This risk can be viewed in the following matrix:

Effectivity of internal controls	Risk level			
	Low	**Medium**	**High**	**Major**
Inexistent	Low	Medium	High	Major
Mostly ineffective	Low	Medium	High	Major
Partially effective	Low	Medium	High	High
Materially effective	Low	Medium	Medium	Medium
Effective	Low	Low	Low	Medium

Chapter 3 of the risk report explains the risks which, on a gross basis, might have a high or major impact on the Group.

Overall analysis of risks
The Management Board is convinced that the identified risks do not currently, individually or taken together, threaten the existence of the Group or one of its material subsidiaries.

Management

Suitable risk-mitigating measures and controls are developed and implemented by the risk officers within their area of responsibility. Responses shall be analysed with regard to their impact on the risk consequences and probabilities, their cost in relation to the benefits, the available resources, the existing controls and measures, and with regard to potential opportunities. Depending on the type of risk, different risk strategies such as risk acceptance, avoidance, mitigation or the transfer of the risk, to third parties are applied.

Reporting

The risk manager reports half-yearly to the Management Board and the senior leadership team on the Group-wide risk situation, especially on the major risks and changes in the risk assessment. Ad hoc reports are presented to the Risk Steering Group, which consists of the Management Board, the risk manager and the risk officer of the department in question.

The Management Board informs the Audit Committee about risk management and existing risks at regular intervals.

Accounting-related Internal Control System

The accounting-related Internal Control System seeks to identify, assess and control all risks which may have a material impact on the due and proper preparation of the annual and consolidated financial statements. The Control System consists of a number of elements:

- Functions which are material for the accounting process are separate, and responsibilities are clearly assigned
- Statutory amendments and new accounting standards are analysed at regular intervals
- Financial statements across the Group are prepared using standard accounting policies, and the principle of dual control is observed in all relevant processes
- Material assets are subjected to regular impairment tests
- The administration of accounts receivable and accounts payable as well as internal recharging within the Group are managed centrally
- The individual companies are consolidated centrally using a standard consolidation software; the data received is subject to random checks
- The reporting figures are reviewed every month as part of monthly reporting
- As a general rule, the IT systems used in the accounting process are protected against unauthorised access through the issue of corresponding authorisations
- Accounting-relevant measures are also covered in the risk management system and Internal Control System
- Moreover, the principles of correct and responsible action with regard to financial reporting are set out in the Code of Conduct, and a corresponding set of policies has been implemented

Risks of future development

An overview of the risks classified as high or major in the gross analysis is provided below. It cannot be ruled out that risks which were previously unknown or classified as immaterial may become material at some point.

The assessment of the individual risks is presented in the chart below:

	Group risk assessment (gross risk)	Group risk assessment (net risk)
Distribution risks		
‣ Support of major customers	‣ Significant	‣ Medium
‣ Drafting of contracts in the enterprise area	‣ Significant	‣ Medium
Product risks		
‣ Provision of software	‣ Significant	‣ Medium
‣ Compatibility with operating systems	‣ Significant	‣ Medium
‣ Innovative edge	‣ Significant	‣ Medium
Product and IT security		
‣ Cyberattacks	‣ High	‣ Medium
‣ Misuse of TeamViewer software	‣ Significant	‣ Medium
Migration of the heterogeneous IT system landscape		
‣ Switch to a new application landscape	‣ Significant	‣ Low
Industry and market-related risks	‣ High	‣ Significant
Personnel risks	‣ Significant	‣ Medium
Foreign currency risk	‣ High	‣ Significant
Geopolitical uncertainty	‣ Significant	‣ Significant
Legal and regulatory risks		
‣ General Data Protection Regulation	‣ Significant	‣ Medium
‣ International laws	‣ Significant	‣ Medium
Corporate governance risks	‣ Significant	‣ Medium
Sanction controls	‣ Significant	‣ Medium

Distribution risks

The expansion of the enterprise sector, which has been defined as a strategic goal, results in higher costs for the Group because major customers often place substantially higher demands on the support provided than do small- and medium-sized customers. This may lead to an increase in the contractually guaranteed performance obligations, e.g. 24/7 availability of the support team, which substantially exceed the services provided to other customer groups. If TeamViewer were unable to meet the requirements of major customers, it would be more difficult to conclude new contracts successfully or would result in a payment reduction or even in the loss of customers. TeamViewer is responding to these requirements by continuously expanding its support organisation and by training internally available support staff. In addition, the requirements and the measures taken are discussed regularly in a Customer Steering Committee.

The contract structure in the enterprise area often differs from the standard end user licence agreement. Breaches of contractual obligations may lead to liability claims by customers in respect of damages suffered and reputational damage. To rule out or minimise liability risks, TeamViewer's legal department subjects enterprise agreements and service level agreements to in-depth scrutiny prior to their conclusion.

Product risks

Damages and interruptions may occur in the infrastructure used by TeamViewer and in the infrastructure made available by third-party providers. The damage or failure of the infrastructure could lead to data losses and disruptions or delays in TeamViewer's services. Internal processes have been established to avoid possible failures and disruptions and remedy them as quickly as possible.

TeamViewer's software enables endpoint connectivity across a wide range of different operating systems. Updates or further developments of these operating systems or the introduction of new operating systems may result in the full or partial malfunction of TeamViewer's software solutions. This may have a negative impact on customer relationships and lead to a loss of reputation. To counter this risk, the R&D department is constantly monitoring updates to operating systems and is also in close contact with TeamViewer's customer support service to remedy any software malfunctions immediately.

Due to the rapidly changing markets for IT, the IoT and software, a general risk exists that TeamViewer's innovative edge over its competitors is lost, that the Group's product development fails to meet market expectations with regard to new trends and innovations and that, as a result, the Group's products lose their appeal, leading to the loss of customers to its competitors. To understand market expectations and respond promptly to them, TeamViewer constantly incorporates customer feedback in its product development. Moreover, TeamViewer uses agile software development methods to allow it to respond more quickly to changes.

Product and IT security

The TeamViewer business model comprises the provision of solutions which offer end users secure remote access to devices and networks (remote connectivity) and enable them to process customer data or information. Any unauthorised access, network disruptions, denial of service (i.e. an attack designed to prevent legitimate users from accessing the services) or similar malicious third-party influences have the potential to adversely affect the integrity, continuity, security and trust in the software, services or systems of TeamViewer or its customers. This may result in costly legal disputes, significant financial liabilities, increased regulatory controls, financial sanctions and a loss of trust in TeamViewer's products. Existing or potential customers might moreover opt for other IT solutions instead. Cyberattacks are steadily developing further and increasingly originate from highly professional parties. Even just the rumour of unauthorised access or supposed security vulnerabilities may have a significant impact on TeamViewer's reputation on the market and the development of its business. TeamViewer's security team focuses on steadily improving the security of its products and the underlying infrastructure. To this end, various measures have been taken to identify and prevent cyberattacks and attempts at unauthorised access to TeamViewer's networks and servers at an early stage. Potential risks are regularly assessed through threat modelling, penetration tests, risk classifications, testing and threat profiles. A security operations centre (SOC) monitors the IT infrastructure 24/7 to identify potential attacks immediately. In addition, the internal security structures are regularly reviewed and, where necessary, adjusted by internal and external parties. Switching off older product versions which no longer comply with current security standards is another security measure.

There is a risk that TeamViewer's products will be misused for unauthorised purposes, for example, by using the product in connection with malware or for fraudulent business models. This may lead to reputational damage for TeamViewer. The product security measures described above also constitute risk-mitigating measures for these events. TeamViewer is, furthermore, working together with external specialist bodies to identify suspected cases early on and to take the requisite security measures.

Migration of the heterogeneous IT system landscape

Many of TeamViewer's operational processes, including administration, personnel and bookkeeping, which depend to a particular extent on the due and proper functioning of its IT infrastructure and other related systems, are currently in the process of being switched to a new application landscape which essentially includes a new ERP and CRM system as well as a new e-commerce system. TeamViewer is switching from a fragmented ERP landscape to a more integrated version on the basis of Microsoft Dynamics 365 together with specific additional modules and applications. Problems during migration might have a significant effect on TeamViewer's operations, especially in respect of the placing of orders and invoicing. TeamViewer is countering this risk through intensive test phases prior to every roll-out and by training the users affected and supporting them with the help of global key users.

Industry and market-related risks

Heightened competition from existing competitors and/or the emergence of new competitors could lead to increased price pressure, reduced margins and the loss of market shares. A heightened risk exists particularly if one of the world's major software providers were to decide to expand their products and solutions offerings in such a way that their portfolio increasingly overlaps with TeamViewer's own solutions portfolio. TeamViewer is watching the current market developments closely and maintains close relations with the leading software firms. The Group is also making substantial investments in the continuous deepening and broadening of its solutions portfolio in order to set itself apart from its competitors on a long-term basis through the solutions it offers.

Personnel risks

Retaining existing, highly qualified employees over the long term and recruiting qualified employees constitute a challenge for the Group. The loss of knowledge associated with the departure of key employees may result in TeamViewer not being able to meet the market's requirements in relation to its products and in the inadequate implementation of TeamViewer's strategic initiatives. If TeamViewer cannot recruit sufficient qualified employees, there is a risk that the Group will miss its growth and innovation targets. To counter this risk, various measures to attract and retain employees have been established, such as flexible working time models, attractive workplace arrangements, the opening of new offices and a competitive salary including bonus programme. A long-term incentive programme has moreover been launched for employees in key positions.

Foreign currency risk

TeamViewer operates in around 180 countries around the globe and is doing business in a total of more than 40 currencies. In particular, the billings generated in U.S. dollars contributed a considerable share to Group billings and revenue in the 2019 fiscal year. Any changes in the exchange rate of these currencies against the euro thus harbour a currency risk for the Group. To hedge the currency risk of the major foreign currencies, the Group has taken out U.S. dollar and pound sterling denominated bank loans. The valuation of these bank loans at the current exchange rate constitutes a foreign currency risk as well. This aside, no currency hedging transactions were performed.

The reporting currency of the TeamViewer Group is the euro. The TeamViewer subsidiaries report in different currencies, including the U.S. dollar, pound sterling, Australian dollar, Japanese yen, Indian rupee, Singapore dollar and Armenian dram. The income and expenses of the foreign subsidiaries are converted into euros at the average exchange rate applicable during the period.

Geopolitical uncertainty

As part of its growth strategy, TeamViewer intends to continue expanding its geographical presence, including its sales and marketing activities. The business activities are influenced by market factors such as economic trends as well as by political and fiscal changes. In particular, the expansion of business activities in emerging markets such as China may entail increased political restrictions on the respective market for TeamViewer.

The United States was the world's largest single market for TeamViewer in the past fiscal year in terms of billings. The TeamViewer Group has its own sales and marketing organisation in the United States which generates a significant portion of consolidated earnings. The upcoming U.S. presidential elections in 2020 may lead to heightened uncertainty and have a correspondingly negative effect on the investment decisions of TeamViewer's customers.

Legal and regulatory risks

Since the GDPR came into effect within the EU in May 2018, awareness of the need to protect personal data has grown and Internet users are becoming increasingly aware of the importance of data protection when navigating in an online environment. Although the GDPR provides a solid legal foundation, the lack of a well-developed legal interpretation and the fact that coordination between the national data protection agencies in Europe is still in its infancy leads to uncertainty when it comes to applying the Regulation within the Group. TeamViewer considers the protection of personal data to be a key factor in ensuring the trust and satisfaction of its customers. For this reason, TeamViewer attaches the greatest importance to data protection and privacy, and it protects its infrastructure, the accessibility of accounts and its products and data with suitable solutions. The Group pursues an approach of minimum data storage in this context, in the sense of "privacy by design", and offers full transparency to its customers regarding the data collected and the use made of it. In addition, company-wide data protection training is provided. Data protection experts for every department and a company-wide Data Protection Committee are appointed as well.

National laws in countries outside Europe in which TeamViewer operates must additionally be observed and brought into line with German and European requirements. The violation of these national provisions may entail the imposition of fines and conditions and lead to reputational damage. To ensure compliance with local provisions, TeamViewer is collaborating with external law firms in its main markets and with external service providers in the field of data protection. The fact that TeamViewer is based in Germany together with the extensive territorial reach of the GDPR (Art. 3 (1) GDPR) means that the area of application is at times broader than is the case for companies based exclusively or mostly outside of the EU (often in the United States). This may lead to competitive disadvantages for TeamViewer outside the EU because local providers are not bound by the European GDPR.

Corporate governance risks

As a listed company, TeamViewer AG is subject to stringent corporate governance requirements. Violation of the corporate governance guidelines may lead to reputational damage. TeamViewer substantially expanded its corporate governance structure in 2019. As part of its efforts, it appointed a chief compliance officer and established a formal risk management system. TeamViewer also started to establish an internal audit function at the end of 2019. This structure is being permanently analysed and will be expanded further as required.

Sanction controls

As a provider with a global footprint, there is a risk that TeamViewer will enter into business relationships with customers or business partners that feature on sanctions lists. This may result in the payment of penalties, legal consequences and reputational damage. To counter this risk, TeamViewer regularly compares all its customer data against the main official sanctions lists.

Material opportunities

The opportunities which the Management Board of TeamViewer AG considers material are described below.

Opportunities resulting from technological and societal trends

Various technological and societal trends provide growth opportunities for the TeamViewer Group. The Management Board of TeamViewer AG has identified the following opportunities in particular:

Opportunities from the digital transformation of companies
The Management Board of TeamViewer AG considers the growing importance of digitalisation for companies and the associated investments in digital transformation to be an opportunity for its business. To illustrate this point, market research institute IDC projects a +17.1 % annual growth (CAGR) of the market for digital transformation until 2023[19]. The digitalisation and automation of processes within companies may, in the Management Board's view, lead to greater demand for connectivity solutions, thereby providing long-term opportunities for growth. In this context, the increasing use of robotics and IoT technologies for the automation of processes and the remote control and management of machinery and devices plays a key role.

Opportunities resulting from a growing number of devices
The increasing proliferation of mobile technologies such as smartphones and tablets in conjunction with the progressive introduction of IoT technology in commercial and industrial use cases leads to a sharp increase in devices and endpoints. The market research institute IDC estimates the number of connected IoT endpoints in 2025 at more than 40 billion[20] already. Furthermore, companies are increasingly enabling their employees to use private devices for business purposes. The growth of a heterogeneous device landscape leads to a corresponding need for connectivity solutions to connect, control and manage these devices.

Opportunities due to changes in the modern world of work
The Management Board of TeamViewer AG regards the changes in the modern world of work, characterised among other things by a workforce which is increasingly dispersed and following flexible working models, to be a further opportunity. According to a study by the International Workplace Group[21], 50 % of employees worldwide work outside of their main office locations two and a half days a week. This means that companies are increasingly enabling their employees to access company data and devices remotely and to connect with colleagues, teams and third parties. The Management Board sees this as an opportunity for TeamViewer's connectivity solutions. The support and management of devices also constitute a growing challenge for the IT departments of companies. Here, too, there are opportunities for TeamViewer's connectivity solutions to enable the central support and management of a device landscape that is spread across the world, thereby realising cost savings and efficiency gains.

19 IDC: https://www.idc.com/getdoc.jsp?containerId=prUS45612419
20 IDC: https://www.idc.com/getdoc.jsp?containerId=prUS45213219
21 IWG: https://www.iwgplc.com/global-workspace-survey-2019

Opportunities due to the growing importance of environmental matters

Environmental matters and reducing their own ecological footprint are becoming increasingly important for companies and state organisations. This is illustrated, for example, by the commitment made by the EU as part of the Paris Climate Agreement, to achieve a 40 % reduction in CO_2 emissions compared to 1990 by the year 2030[22]. Connectivity solutions can make a contribution to the reduction of emissions by facilitating remote interactions between people and by controlling and managing devices remotely, thereby reducing travel activity. Accordingly, from the Management Board's point of view, this results in further growth opportunities for the TeamViewer Group.

Opportunities from strategic growth fields

In addition to opportunities resulting from technological and societal trends, the strategic growth areas which TeamViewer addresses also open up opportunities.

Opportunities through the increase in use cases

Further opportunities are provided by the increase in use cases for the product portfolio of the TeamViewer Group. To identify new use cases TeamViewer continuously takes into account the input from the user and customer base, and either integrates them into the existing product portfolio or selectively through expansions or new products, such as the TeamViewer IoT product. By steadily increasing the number of use cases, TeamViewer expects both to gain new subscribers and exploit upselling and cross-selling opportunities within its existing customer base.

Opportunities through the coverage of additional customer segments

The customer base of the TeamViewer Group is historically located largely in the SME sector. The Group sees growth opportunities in the increased coverage of additional customer segments, such as the enterprise segment and the segment of small companies and individual commercial users. The TeamViewer Group is addressing these growth opportunities on the product side by having introduced the enterprise solution TeamViewer Tensor and the entry-level product TeamViewer Remote Access, as well as through increased sales and marketing activities in the enterprise segment.

Opportunities through geographical expansion

TeamViewer has customers in almost every country and therefore already operates on a global basis today. In the past, however, TeamViewer's sales activities were managed from three central sales offices in Germany, the U.S. and Australia for the EMEA, AMERICAS and APAC regions respectively. The increased penetration of strategic growth markets for the TeamViewer Group across all regions therefore provides opportunities for growth. TeamViewer is addressing this potential by expanding its sales and marketing activities in these markets deliberately, often in tandem with the establishment of a local sales office, for example in India, China, Japan, or Singapore. TeamViewer intends to continue expanding local sales and marketing activities and the corresponding teams in order to be able to take advantage of the growth potential specifically in these strategic growth markets by adjusting to a greater extent to local conditions.

22 European Commission: https://ec.europa.eu/clima/policies/strategies/2030_en

Personnel opportunities

Due to the strong business growth and high market expectations regarding TeamViewer's products, the recruitment and retention of highly qualified employees is a key success factor for the TeamViewer Group. Recruiting and retaining highly qualified personnel provides opportunities for accelerating innovation and improving competitiveness, growth and profitability. To ensure its attractiveness as an employer, TeamViewer has implemented a wide range of measures, such as flexible working time models, attractive workplace conditions and competitive salaries including bonus programmes together with a long-term incentive programme for employees in key positions. For further details, please see the *Nonfinancial report* in section D.02.

Brand opportunities

The high profile of the TeamViewer brand also provides additional growth opportunities, especially when it comes to attracting new customers and employees. The Group fosters its high profile through the free-of-charge provision of the TeamViewer product to private users, which has led to a very large active user base and ensured that the TeamViewer brand is known worldwide.

05 Outlook

Expected macroeconomic and industry-specific situation

Towards the end of 2019, there were signs suggesting that the global economy would be stabilising in 2020. In December 2019, the Kiel Institute for the World Economy expected a slight increase in global production growth to +3.1 % in 2020 (2019: +3.0 %), provided that the international trade and investment climate would not deteriorate further. The further spreading of the coronavirus could, however, have negative implications for the global economy, which at the moment are difficult to predict. Further, political events such as Brexit and the upcoming U.S. presidential election in November 2020 constitute elements of uncertainty for the forecasted development.

In the markets for digital transformation and SaaS which are relevant for TeamViewer, there are signs that the positive developments seen in 2019 will continue in 2020. The market research institute IDC projects a +17.1 % annual growth rate (CAGR) of the market for digital transformation to a market volume of USD 2.3 trillion by 2023[23]. A similar trend is emerging on the SaaS market, where the market research institute Gartner is projecting a year-on-year growth rate of +16.6 % for 2020[24]. The market for connectivity platforms is also expected to grow at a double-digit rate in the next years. McKinsey and Company forecast annual growth (CAGR) of +24 %, leading to a market volume of EUR 30.2 billion in 2023[25]. Moreover, for the market relevant for TeamViewer, Nucleus Research forecasts annual growth (CAGR) of +21 %, resulting in a market volume of USD 16.95 billion[26].

Future development of the Group

In the 2020 fiscal year, TeamViewer plans to further pursue the strategic direction it has taken and continue its profitable growth along the three strategic dimensions outlined in section B.01 *Group fundamentals*; namely, an expansion of use cases, an expansion of customer segments and geographic expansion. It is thus projecting further substantial growth of billings and of adjusted EBITDA for the 2020 fiscal year. This assessment is based on the assumption of a persistently solid economic setting and stable exchange rates between the euro and the most important foreign currencies for the Group, particularly the USD. At this point in time, the Executive Board of TeamViewer AG does not expect significant implications of the coronavirus on the business development.

For the 2020 fiscal year, the Management Board of TeamViewer AG is projecting billings growth in the range of +32 % to +35 % and, consequently, billings of between EUR 430 million and 440 million (2019: EUR 324.9 million). Due to the conversion of the business model to a subscription-based model, which was completed in 2018, revenue from the release of deferred revenue from perpetual licences will expire as scheduled. Accordingly, the Group is projecting revenue growth ranging between +8 % and +10 % and resulting in between EUR 420 million and EUR 430 million in revenue. In the 2020 fiscal year TeamViewer will make further significant investments in sales and marketing, R&D – especially in new use cases – and in a scalable corporate structure. Nevertheless, the Management Board expects adjusted EBITDA to grow by between +32 % and +37 % to a figure between EUR 240 million and EUR 250 million (2019: EUR 182.1 million).

23 IDC: https://www.idc.com/getdoc.jsp?containerId=prUS45612419

24 Gartner: https://www.gartner.com/en/newsroom/press-releases/2019-11-13-gartner-forecasts-worldwide-public-cloud-revenue-to-grow-17-percent-in-2020

25 Growing Opportunities in the Internet of Things, McKinsey & Company 2019

26 Guidebook TeamViewer, Nucleus Research, 2019

Overall assessment of future development

The Management Board is confident that the TeamViewer Group will be able to build on the strong fiscal year 2019 and expects another positive business performance for the fiscal year 2020.

06 Remuneration report

The remuneration report describes the basic principles of the remuneration system for members of the Management Board and Supervisory Board and the amount of the individual remuneration the members of TeamViewer's corporate bodies received or were granted in the 2019 reporting year. The report complies with statutory requirements and the recommendations of the GCGC as amended on 7 February 2017.

Preliminary note

The Company was established as a company with limited liability under German law (GmbH) by the Articles of Association dated 3 July 2019. The Company's initial name was Regit Beteiligungs-GmbH. On 19 August 2019, the Extraordinary General Meeting passed a resolution to change the Company's legal form into that of a stock corporation (Aktiengesellschaft) under its current name (TeamViewer AG). The changes in legal form and name were entered in the commercial register on 3 September 2019.

In the 2019 fiscal year the current Management Board members, Messrs. Oliver Steil and Stefan Gaiser, were initially employed by Regit Eins GmbH, now a wholly owned subsidiary of the Company, on the basis of managing director employment contracts. The managing director employment contracts were transferred to the Company with effect from 1 August 2019. The remuneration report of the Company therefore generally refers to the period from 3 July 2019 to 31 December 2019. Due to the transfer of the employment contracts with effect from 1 August 2019, however, the report substantially refers only to the period from 1 August 2019 to 31 December 2019. By a decision of the Company's Supervisory Board dated 19 August 2019 and in conjunction with the change in legal form, Messrs. Oliver Steil and Stefan Gaiser were appointed members of the Management Board of the Company (whose change in legal form at that point had not yet been completed). When the change in legal form took place, the Company, represented by its Supervisory Board, furthermore agreed to new executive director employment contracts with the Management Board members.

Principles of Management Board remuneration

The structure and size of TeamViewer AG's Management Board remuneration decided on by the Supervisory Board meets the requirements of the German Stock Corporation Act (AktG). In particular, the remuneration structure is geared to sustainable corporate development and takes into account the tasks and performance of the members of the Management Board as well as the Company's economic situation, its success and future prospects. Prior to determining the amount of remuneration, moreover, an independent external remuneration advisor was consulted to assess whether the remuneration was appropriate and in line with market practice, taking into account the peer environment.

Overview of the remuneration system

As part of the change in the Company's legal form from a GmbH into a stock corporation (AG) and the appointment of the Management Board members as members of the Company's Management Board, new executive director employment contracts were signed with the Company, replacing the previous managing director employment contracts.

The executive director employment contracts make a distinction in terms of the size and structure of remuneration between the time before the Company's IPO (pre-IPO phase, which describes the time up to and including the calendar month of the IPO) and the time since the Company's IPO (post-IPO phase, which designates the time from the start of the first calendar month after the IPO): The remuneration for the pre-IPO phase was generally in line with the remuneration conditions applicable most recently pursuant to the service agreement concluded between the previous managing directors and the Company in the legal form of a GmbH, while the remuneration for the post-IPO phase is based on new conditions: alongside a short-term variable remuneration component (STI bonus) it includes, in particular, a long-term variable remuneration component (LTI) which seeks to ensure that the remuneration of the Management Board members tracks the Company's long-term developments and success.

The approval of the remuneration for the Management Board, as proposed by the Supervisory Board, is planned for the Annual General Meeting 2021.

Components of Management Board remuneration

Starting in the fiscal years commencing in the post-IPO phase, in addition to a fixed basic annual salary, the remuneration of Management Board members includes generally two variable remuneration components (STI bonus and LTI (according to the conditions of the applicable long-term incentive plan for Management Board members of the Company (LTIP))) and additional fringe benefits.

For the 2019 fiscal year which started in the pre-IPO phase, remuneration consisted of a fixed basic annual salary, an annual bonus and fringe benefits.

In addition, the Company's two Management Board members received funds from the main shareholder of the Company or its affiliated companies in connection with earlier rights to participate in the Company's share appreciation and from the divestment of indirect participations in the Company.

Fixed salary

The members of the Management Board receive a fixed basic annual salary in cash, payable in equal monthly instalments, which for Mr Steil came to EUR 750,000 (gross) p.a. during the pre-IPO phase and EUR 900,000 (gross) p.a. during the post-IPO phase, and for Mr Gaiser to EUR 420,000 (gross) p.a. during the pre-IPO phase and EUR 550,000 (gross) p.a. during the post-IPO phase.

Performance-based variable remuneration

In addition to their fixed annual salary the Management Board members have the opportunity to receive an STI bonus which is dependent on the Company's annual success and, from the fiscal year beginning in the post-IPO phase onwards, an additional LTI according to the applicable LTIP.

Short-term variable remuneration/STI bonus

For the fiscal years beginning in the post-IPO phase the Management Board members have the opportunity to receive a variable annual bonus payable in cash which is subject to the achievement of specific financial (using billings-based performance targets and/or adjusted EBITDA targets) and nonfinancial corporate goals, which are set prior to the start of the fiscal year by the Supervisory Board following a previous discussion with the Management Board member. The calculation of the STI bonus is additionally based on specific penalty and clawback criteria which may result in the reduction or complete loss of the STI bonus.

If the target achievement is 100 % (and no penalty or clawback criteria apply) the STI bonus (target STI) for Mr Steil during the post-IPO phase is EUR 900,000 (gross) and for Mr Gaiser EUR 500,000 (gross). The STI bonus is limited to a maximum of 200 % of the target STI bonus. If the employment contract starts or ends during a year, the STI bonus is calculated on a pro rata temporis basis for the period of the employment relationship in the fiscal year in question, whereby the target achievement is determined on the basis of the originally set parameters and the bonus is paid out at the regular due date. The STI bonus, if a claim to such bonus exists, will be due for payment six weeks after the adoption of the annual financial statements.

The 2019 reporting year is treated as a transition year for the purposes of the STI bonus: The target achievement for the reporting year is guided by the performance targets for the annual bonus 2019 that apply under the original managing director employment contract (in conjunction with the applicable bonus plan under this contract). By contrast, the target amount (i.e. if the target is achieved at 100 %) for the STI bonus for the calendar months of the pre-IPO phase during the reporting year is EUR 500,000 (gross) pro rata for Mr Steil and EUR 230,000 (gross) pro rata for Mr Gaiser; for the calendar months of the post-IPO phase during the reporting year it is EUR 900,000 (gross) pro rata for Mr Steil and EUR 500,000 (gross) pro rata for Mr Gaiser.

Long-term variable remuneration (long-term incentive/LTI)

The Management Board members participate in the applicable LTIP beginning with the first fiscal year which starts during the post-IPO phase (i.e. 2020 fiscal year). A new assessment period (performance period) begins with every fiscal year pursuant to the terms of the applicable LTIP, following the expiry of which the target achievement of specific pre-defined targets is measured. The first and current LTIP applies to the 2020 fiscal year with the performance period 2020-2023.

The Supervisory Board determines the terms of the LTIP for every performance period at its discretion. If the Supervisory Board decides not to review the LTIP terms, the terms of the current LTIP continue to apply during the next performance period.

The terms of the current LTIP provide for the allocation of a tranche of virtual shares (performance shares) at the start of the first fiscal year of the performance period 2020-2023. The initially allocated tranche of performance shares serves as a basis for the subsequent calculation of a potential LTIP payout, taking into account the performance measurement/target achievement following the expiry of the four-year assessment period. The initial number of allocated performance shares in a tranche generally follows from a grant value that has been confirmed to the Management Board member, divided by the average closing price of the Company's shares over the 60 trading days preceding the performance period (commercially rounded to full performance shares). By contrast, for the first performance period 2020-2023, the initial number of performance shares corresponds to the grant value (which has been confirmed to the Management Board member in question) divided by the placement price of the shares of the Company in connection with the Company's IPO (commercially rounded to full performance shares).

The grant value is EUR 1,000,000 for Mr Steil and EUR 550,000 for Mr Gaiser.

Upon the expiry of a performance period, a degree of overall target achievement is established for the performance targets that were determined by the Supervisory Board before the start of the performance period.

Based on the currently applicable LTIP, the final number of performance shares is calculated at the end of the performance period by multiplying the initial number of performance shares by the degree of overall target achievement. The degree of target achievement is calculated using the degree of target achievement of the individual targets which the Supervisory Board has set for the relevant performance period. In the context of the initially applicable LTIP for the performance period 2020-2023, the targets should comprise at least (i) one long-term financial target, (ii) one nonfinancial strategic target and (iii) one target which is based on the share price/the stock yield.

At the start of every performance period the Supervisory Board sets a target for each of the at least three performance targets; if they are fulfilled, the target achievement is 100 %. The Supervisory Board moreover determines for every performance target – where possible – a minimum value as the lower end of the target corridor which, if reached, results in a target achievement of 50 % (minimum value) and a maximum value which, if reached or exceeded, results in a target achievement of 200 % (maximum value). If the figure which has been achieved with regard to a performance target falls below the minimum value, the target achievement for this performance target is 0 %. If the figure which has been achieved with regard to a performance target reaches or exceeds the maximum value, the target achievement is 200 %.

The payout amount is calculated by multiplying the final number of performance shares for the performance period by the average closing prices of the Company's shares on the last 60 trading days before the end of the performance period. If the share price remains unchanged and the target achievement totals 100 % (without penalty or clawback criteria applying) the payout amount of the LTI would thus correspond to the original grant value. The maximum payout of an LTI tranche (before taking into account penalty or clawback criteria) in principle cannot exceed 200 % of the original grant value.

Penalties and clawbacks

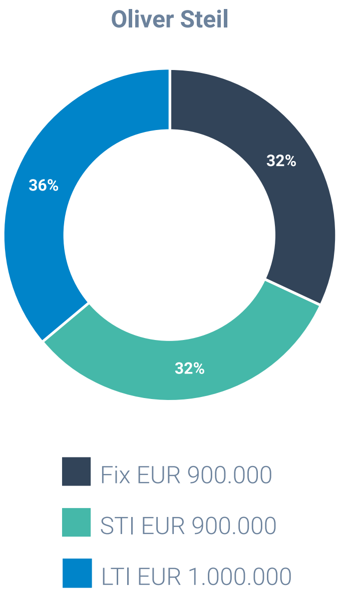
The STI and LTI are subject to penalty and clawback criteria (commencing as of the Company's IPO). This means that the Supervisory Board, prior to determining the payout amount of an STI or LTI, checks whether penalty criteria justify a reduction or even omission of the variable remuneration amount calculated on the basis of the target achievement and the LTIP conditions.

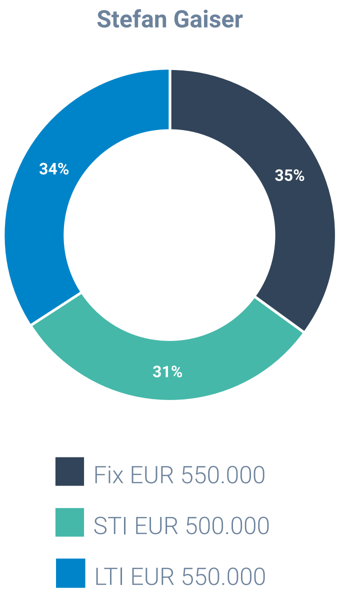
A repayment of variable remuneration amounts already paid out may be requested within a clawback period if a clawback criterion emerges during the period for which the variable remuneration component was paid. The clawback period starts for every variable remuneration on expiry of the underlying performance period and ends two years after this date.

Fringe benefits

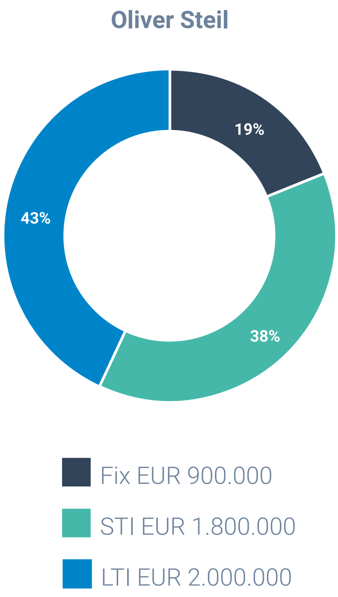
Members of the Management Board are also granted fringe benefits. These essentially consist of flat rate compensation totalling EUR 2,000 per month for the use of a private car for business travel, contributions to (private or statutory) health and nursing care insurance (totalling the statutory employer contributions to statutory health and nursing care insurance and/or no more than half of the actual amount spent), continued payment of wages in the event of incapacity for work due to illness or death and accident insurance in the event of death or disability. In addition, all members of the Management Board are insured against third-party liability claims through a D&O insurance policy taken out at the Company's expense with a deductible in accordance with the provisions under the German Stock Corporations Act totalling 10 % of the loss or damage but no more than 150 % of the basic annual salary. The Company furthermore provides Mr Gaiser with his own driver for specific trips.

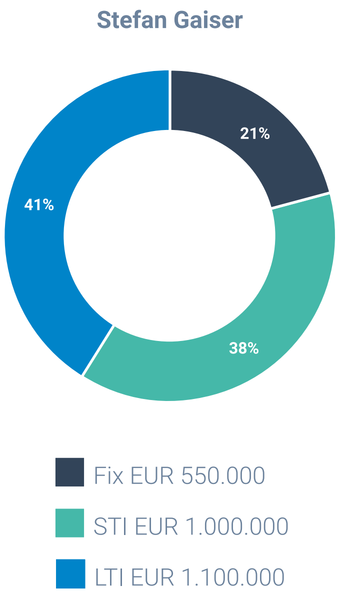
Overview of target remuneration structure[27] for the post-IPO phase (basic annual salary, STI bonus and LTI for target achievement of 100 %)





Overview of maximum remuneration structure[28] for the post-IPO phase (basic annual salary, STI bonus and LTI for target achievement of 200 %)





27 Without fringe benefits
28 Without fringe benefits

The remuneration of the two Management Board members consisting of a fixed salary, STI and LTI is thus EUR 7,350,000 p. a. maximum based on a target achievement of 200 % (or more) and EUR 4,400,000 p. a. if the target achievement is 100 %.

Obligation to hold shares

The Management Board members are obliged for the duration of their appointment as members of the Company's Management Board to hold TeamViewer AG shares; this obligation must be fulfilled for the first time no later than two years after they are first appointed as members of the Management Board. The number of shares in the Company to be held (restricted shares) results from (i) the fixed remuneration during the post-IPO phase divided by (ii) the value of the shares in the Company at the time of the IPO. The shares which were granted by the Company's main shareholder[29] to redeem earlier rights to participate in the Company's share appreciation (see third-party services below) can be used to this end.

Benefits in case of the premature termination of employment

If their appointment is revoked prematurely, the Management Board members are entitled to a severance payment subject to certain conditions. If the appointment of a member of the Management Board is revoked due to an inability to manage the Company properly pursuant to § 84 (3) AktG, due to a gross breach of duties or any other good cause which is the responsibility of the Management Board member pursuant to § 84 AktG, or if a good cause which is the responsibility of the Management Board member according to § 626 of the German Civil Code (BGB) applies which would have entitled the Company to terminate the service contract by extraordinary notice, the Management Board member does not receive a severance payment.

If the Management Board activity ends prematurely due to the death of a member of the Management Board, the Company will pay the pro rata amount of the STI bonus, if applicable, for the month in which the death occurred as well as for the three following months to the spouse or registered partner or, if the Management Board member is not married or does not have a partner, to heirs of the first order, if any.

The members of the Management Board are subject to a post-contractual restraint on competition lasting twelve months. During this period, the Management Board member in question is entitled to receive compensation for non-competition amounting to 50 % of the last contractual benefits received. The compensation is paid in monthly instalments. Any severance payments received must be offset against the compensation for non-competition.

Third-party benefits resulting from the sale of an indirect participation in TeamViewer AG and from rights to participate in the Company's share appreciation

The members of the Management Board (as managing directors of TeamViewer GmbH and of Regit Eins GmbH) agreed rights with the Company's main shareholder to participate in the Company's share appreciation. Furthermore, at that time, they acquired an indirect participation in the Company (so-called Management Equity Participation, MEP). Prior to the IPO, these rights to participate in the Company's share appreciation were modified. The rights were partially paid out after the IPO on the basis of the increase in value, which was achieved, and the indirect participation was sold. This resulted in an inflow of funds for the two members of the Management Board and in claims to future benefits. These benefits are all paid by the main shareholder or by companies associated with the main shareholder, not by the Company itself. In the case of Mr Steil, the said inflow amounts to EUR 39,734,344.93 gross together with two outstanding share allocations of 1,765,971 shares each from the main shareholder's holdings. In the case of Mr Gaiser, it amounts to EUR 19,907,507.22 gross

29 TLO; where the main shareholder is named below, it refers to TLO

together with two outstanding share allocations of 884,778 shares each from the main shareholder's holdings.

The share allocations are generally due to be allocated in October 2020 and October 2021, unless specific contractually defined exclusion reasons prevent this.

Benefits granted for the reporting year – Group (1 January 2019 – 31 December 2019)

	Oliver Steil Chairman of the Management Board/CEO				**Stefan Gaiser Chief Financial Officer/CFO**			
	Member since 19 August 2019				Member since 19 August 2019			
Benefits granted in EUR	2018	2019	2019 min	2019 max	2018	2019	2019 min	2019 max
Fixed remuneration	750,000	787,500	787,500	787,500	375,000	452,500	452,500	452,500
Fringe benefits	55,000	21,732	21,732	21,732	51,652	56,142	56,142	56,142
Total	**805,000**	**809,232**	**809,232**	**809,232**	**426,652**	**508,642**	**508,642**	**508,642**
Third-party benefits[30]	2,400,000	24,128,000	0	n/a	1,200,000	12,064,000	0	n/a
One-year variable remuneration	748,214	601,500	0	n/a	425,625	298,244	0	n/a
Multi-year variable remuneration	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Total	**3,148,214**	**24,729,500**	**0**	**n/a**	**1,625,625**	**12,362,244**	**0**	**n/a**
Pension expense	0	0	0	0	0	0		
Total remuneration	**3,953,214**	**25,538,732**	**809,232**	**n/a**	**2,052,277**	**12,870,886**	**508,642**	**n/a**

Benefits received for the reporting year – Group (1 January 2019 – 31 December 2019)

	Oliver Steil Chairman of the Management Board (CEO)		**Stefan Gaiser Chief Financial Officer/CFO**	
	Member since 19 August 2019		Member since 19 August 2019	
Benefits received	2018	2019	2018	2019
Fixed remuneration	750,000	787,500	375,000	452,500
Fringe benefits	54,500	22,232	49,439	58,767
Total	**804,500**	**809,732**	**424,439**	**511,267**
Third-party benefits[31]	0	39,734,345[32]	0	19,907,507[33]
One-year variable remuneration	0	748,214[34]	45,833[34]	425,625[34]
Multi-year variable remuneration	n/a	n/a	n/a	n/a
Total	**0**	**40,482,559**	**45,833**	**20,333,132**
Pension expense	0	0	0	0
Total remuneration	**804,500**	**41,292,290**	**470,273**	**20,844,399**

30 The benefits refer to share appreciation rights and the MEP and are granted by the main shareholder or its own majority shareholder

31 Paid by the main shareholder or their own majority shareholder

32 Resulting from the sale of an indirect participation (MEP) in TeamViewer AG (EUR 7,597,201) and rights to participate in the Company's share appreciation (EUR 32,137,144)

33 Resulting from the sale of an indirect participation (MEP) in TeamViewer AG (EUR 3,933,049) and rights to participate in the Company's share appreciation (EUR 15,974,458)

34 Granted by Regit Eins GmbH under the managing director employment contract

Total remuneration from the Company pursuant to HGB – Group (1 January 2019 – 31 December 2019)

	Oliver Steil		Stefan Gaiser		Total	
EUR	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**
Fixed remuneration	750,000	787,500	375,000	452,500	1,125,000	1,240,000
Fringe benefits	55,000	21,732	51,652	56,142	106,652	77,874
Total	**805,000**	**809,232**	**426,652**	**508,642**	**1,231,652**	**1,317,874**
Third-party benefits	2,400,000	24,128,000	1,200,000	12,064,000	3,600,000	36,192,000
One-year variable remuneration	748,214	601,500	425,625	298,244	1,173,839	899,744
Multi-year variable remuneration	n/a	n/a	n/a	n/a	n/a	n/a
Subtotal variable remuneration	**3,148,214**	**24,729,500**	**1,625,625**	**12,362,244**	**4,773,839**	**37,091,744**
Pension expense	0	0	0	0	0	0
Total remuneration	**3,953,214**	**25,538,732**	**2,052,277**	**12,870,886**	**6,005,491**	**38,409,617**

Benefits granted for the reporting year – TeamViewer AG, previously Regit Beteiligungs-GmbH (1 August 2019 – 31 December 2019)

	Oliver Steil **Chairman of the Management Board/CEO**				**Stefan Gaiser** **Chief Financial Officer/CFO**			
	Member since 19 August 2019				Member since 19 August 2019			
Benefits granted in EUR	2018	2019	2019 min	2019 max	2018	2019	2019 min	2019 max
Fixed remuneration	n/a	350,000	350,000	350,000	n/a	207,500	207,500	207,500
Fringe benefits	n/a	9,055	9,055	9,055	n/a	23,206	23,206	23,206
Total	**n/a**	**359,055**	**359,055**	**359,055**	**n/a**	**230,706**	**230,706**	**230,706**
Third-party benefits[35]	n/a	24,128,000	0	n/a	n/a	12,064,000	0	n/a
One-year variable remuneration	n/a	309,104	0	n/a	n/a	163,742	0	n/a
Multi-year variable remuneration	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Total	**n/a**	**24,437,104**	**0**	**n/a**	**n/a**	**12,227,742**	**0**	**n/a**
Pension expense	n/a	0	0	0	n/a	0	0	0
Total remuneration	**n/a**	**24,796,159**	**359,055**	**n/a**	**n/a**	**12,458,447**	**230,706**	**n/a**

35 The benefits refer to share appreciation rights and the MEP and are granted by the main shareholder or its own majority shareholder

Benefits received for the reporting year – TeamViewer AG, previously Regit Beteiligungs-GmbH (1 August 2019 – 31 December 2019)

	Oliver Steil Chairman of the Management Board (CEO)		Stefan Gaiser Chief Financial Officer/CFO	
	Member since 19 August 2019		Member since 19 August 2019	
Benefits received	2018	2019	2018	2019
Fixed remuneration	n/a	350,000	n/a	207,500
Fringe benefits	n/a	9,055	n/a	25,806
Total	**n/a**	**359,055**	**n/a**	**233,306**
Third-party benefits[36]	n/a	39,734,345[37]	n/a	19,907,507[38]
One-year variable remuneration	n/a	0	n/a	0
Multi-year variable remuneration	n/a	n/a	n/a	n/a
Total	**n/a**	**39,734,345**	**n/a**	**19,907,507**
Pension expense	n/a	0	n/a	0
Total remuneration	**n/a**	**40,093,400**	**n/a**	**20,140,813**

Total remuneration from the Company pursuant to HGB – TeamViewer AG, previously Regit Beteiligungs-GmbH (1 August 2019 – 31 December 2019)

	Oliver Steil		Stefan Gaiser		Total	
EUR	2018	2019	2018	2019	2018	2019
Fixed remuneration	n/a	350,000	n/a	207,500	n/a	557,500
Fringe benefits	n/a	9,055	n/a	23,206	n/a	32,260
Total	**n/a**	**359,055**	**n/a**	**230,706**	**n/a**	**589,760**
Third-party benefits	n/a	24,128,000	n/a	12,064,000	n/a	36,192,000
One-year variable remuneration	n/a	309,104	n/a	163,742	n/a	472,846
Multi-year variable remuneration	n/a	n/a	n/a	n/a	n/a	n/a
Subtotal variable remuneration	**n/a**	**24,437,104**	**n/a**	**12,227,742**	**n/a**	**36,664,846**
Pension expense	n/a	0	n/a	0	n/a	0
Total remuneration	**n/a**	**24,796,159**	**n/a**	**12,458,447**	**n/a**	**37,254,606**

Remuneration of the Supervisory Board

The remuneration of the Supervisory Board members is determined on the basis of the Company's Articles of Association. The members of the Supervisory Board generally receive a fixed salary of EUR 75,000. The chairman of the Supervisory Board receives a fixed salary of EUR 187,500 and his deputy a fixed salary of EUR 165,000. Furthermore, the Supervisory Board members who are also members of the Audit Committee receive an additional fixed salary of EUR 30,000; the Supervisory Board members receive an additional fixed annual salary of EUR 25,000 for their activities in the other committees of the Supervisory Board, per committee, provided that the committee in question meets at least once annually to perform its tasks. The chairmen of the

36 Paid by the main shareholder or their own majority shareholder

37 Resulting from the sale of an indirect participation (MEP) in TeamViewer AG (EUR 7,597,201) and rights to participate in the Company's share appreciation (EUR 32,137,144)

38 Resulting from the sale of an indirect participation (MEP) in TeamViewer AG (EUR 3,933,049) and rights to participate in the Company's share appreciation (EUR 15,974,458)

committees receive twice the amount of the committee remuneration mentioned above. Activities in a maximum of two committees are taken into account for remuneration purposes; if this number is exceeded, the two functions with the highest remuneration are relevant. The above-mentioned remuneration is due and payable in four equal instalments at the end of the quarter for which the remuneration is paid. Supervisory Board members who exercise their mandate on the Supervisory Board, or as chairman or deputy chairman, for only part of the fiscal year receive their remuneration on a pro rata basis. In addition to the remuneration mentioned above, the Company reimburses members of the Supervisory Board for appropriate expenses incurred in the exercise of their activities as Supervisory Board member and for the VAT on their remuneration and expenses.

The members of the Supervisory Board are covered by the Company's D&O insurance with competitive cover.

Permira partners and employees who are members of the Company's Supervisory Board do not receive any additional remuneration for their activities because they are considered to be covered by their contractual remuneration at Permira. They are generally obliged to waive any compensation to which they are entitled in connection with such positions.

In EUR	Fixed remuneration p.a.	Activity in committees	Other	Total 2019
Dr Abraham Peled[39]	46,875	13,750	11,254	71,879
Jacob Fonnesbech Aqraou	60,766	20,255	399	81,420
Stefan Dziarski[40]	0	0	0	0
Holger Felgner	27,621	0	5,248	32,869
Dr Jörg Rockenhäuser[40]	0	0	0	0
Axel Salzmann	27,621	40,511	14,672	82,804

Remuneration of members of the Supervisory Board

39 Dr Abraham Peled waived his remuneration for the period of 18 August 2019 to 30 Sep 2019

40 Stefan Dziarski and Dr Jörg Rockenhäuser have not received any remuneration in the fiscal year 2019 due to their association with Permira

07 Takeover-related disclosures

Composition of the subscribed capital

The share capital of TeamViewer AG as at 31 December 2019 totals EUR 200,000,000. It was provided in the amount of EUR 200,000,000 by the change in legal form of Regit Beteiligungs-GmbH into a stock corporation (AG) on 3 September 2019 (date of entry in the commercial register) pursuant to §§ 190 et seqq. of the German Transformation Act (UmwG). The share capital is divided into 200,000,000 ordinary bearer shares with no-par value. All shares have equal rights, and each share has a pro rata interest of EUR 1.00 in the Company's share capital. Each no-par value share grants one vote at the Company's Annual General Meeting. As at 31 December 2019, the Company held no treasury shares.

Voting right and transfer-related restrictions

No restrictions exist in relation to voting rights or the transfer of shares. To the best of the Management Board's knowledge, only the following contractual agreement existed in the 2019 fiscal year: As part of the IPO, majority shareholder TLO subjected itself to a holding obligation (lock-up) towards the issuing banks (underwriters) for a period of 180 days from the first date of trading of the shares on the Frankfurt Stock Exchange (25 September 2019).

Material holdings of shareholders

As at 31 December 2019, Permira holdings limited held a 62.5 %[41] share in the capital of TeamViewer AG through TLO. The Management Board is not aware of any further direct or indirect capital interests exceeding 10 % of voting rights.

Holders of shares with special rights as well as type of voting right control of employee shares

The Company has not issued any shares with special rights which would grant an authority to control pursuant to § 315a (4) and § 289 (4) HGB. No capital interests are held by employees pursuant to § 315 (5) and § 289 (5) HGB.

Provisions governing the appointment and dismissal of members of the Management Board and changes to the Articles of Association

The appointment and dismissal of members of the Management Board are governed by §§ 84 and 85 AktG in conjunction with § 6 of the Articles of Association of TeamViewer AG. The Supervisory Board determines the actual number of members of the Management Board. Pursuant to § 179 AktG, changes to the Articles of Association require at least three-quarters of the share capital represented by the Annual General Meeting on the date the resolution is passed. The Supervisory Board may, however, pursuant to section 10 of the Articles of Association of TeamViewer AG, resolve to change the formal wording of the Articles of Association.

Authority of the Management Board to issue or buy back shares

With a resolution passed by the Annual General Meeting on 3 September 2019, the Management Board was authorised to increase the Company's share capital, subject to the consent of the Supervisory Board, by issuing up to 100,000,000 ordinary bearer shares with no-par value against cash and/or non-cash contributions in one or several tranches for a total maximum of EUR 100,000,000 during the period up to 2 September 2024 (Authorised Capital 2019). The dividend entitlement of new shares may be determined by deviation from § 60 (2) AktG. Existing shareholders must generally be granted their subscription rights. However, subject to the consent of the Supervisory Board, the Management Board is authorised to exclude shareholder subscription rights on one or several occasions in the following cases:

41 Share of Permira Holdings Limited refers to last voting rights notification, shareholding (58 %) and share loan (4.5 %) combined

- To balance fractional amounts
- To grant holders or creditors of convertible or warrant-linked bonds issued by the Company and/or its direct or indirect majority holding companies and convertible profit participation rights a right to subscribe to new shares in the extent to which they would be entitled upon exercise of the conversion or warrant rights or performance of the warrant or conversion obligations
- In the event of the issue of new shares in exchange for cash contributions if the issue amount of the new shares is not substantially lower than the stock market price of the listed shares of the Company at the time the issue amount is determined with final effect, which should take place promptly after placement of the shares. This authorisation to exclude subscription rights only applies to the extent that the notional percentage of shares issued under exclusion of the shareholders' subscription rights pursuant to § 186 (3) sentence 4 AktG in the share capital does not exceed 10 % of the share capital, i.e. neither the share capital in existence at the time this authorisation takes effect nor the share capital existing at the time this authorisation is exercised
- If new shares are issued in exchange for non-cash contributions especially in the form of companies, parts of companies, participations in companies, receivables or other assets

Furthermore, the Management Board was authorised by a resolution of the Annual General Meeting dated 3 September 2019 to issue bearer or registered convertible and/or warrant-linked bonds or a combination of these instruments with a total nominal amount of up to EUR 1,400,000,000, with or without fixed maturity, until 2 September 2024 with the Supervisory Board's approval, once or multiple times in partial amounts, and to grant the holders of these bonds conversion or option rights to subscribe to up to 60,000,000 ordinary bearer shares with no-par value of the Company with a pro rata amount of the share capital totalling up to EUR 60,000,000 in accordance with the offering terms of these bonds. The bonds may provide for a conversion or performance obligation in respect of the warrant by the end of the term or at an earlier date. The issue of bonds may take place in exchange for cash or non-cash contributions. The bonds may also be issued by companies in which the Company holds an indirect or direct majority stake. For this event, the Management Board is authorised with the approval of the Supervisory Board to assume the required guarantees for the obligations resulting from the bonds and to grant to or impose on the holders or creditors of these bonds conversion or warrant rights or conversion or warrant obligations on shares of the Company.

The Management Board was furthermore authorised to exclude the shareholders' subscription rights for issues of bonds under certain circumstances with the Supervisory Board's consent, including issues in exchange for non-cash contributions, particularly for the purpose of acquiring companies, parts of companies or participations in companies.

The Company's share capital has been increased by up to EUR 60,000,000 through the issue of up to 60,000,000 new ordinary bearer shares with no-par value (Contingent Capital 2019). The Contingent Capital is used only to grant new shares to the holders or creditors of bonds issued by the Company or by other companies in which the Company holds a direct or indirect majority stake pursuant to the Annual General Meeting's authorisation resolution, between 3 September 2019 and 2 September 2024, in the event that conversion or warrant rights are exercised or conversion or warrant obligations are performed or if the Company uses its right to grant shares in the Company, in whole or in part, in lieu of a maturity payment in cash. At 31 December 2019, the Company had not utilised the Authorised Capital 2019 nor the Contingent Capital 2019. Accordingly, as at 31 December 2019 the Authorised Capital 2019 was EUR 100,000,000 and the Contingent Capital 2019 was EUR 60,000,000.

The Management Board was moreover authorised to acquire, until 2 September 2024, own shares for any permitted purpose up to a total of 10 % of the share capital as of the date the resolution is passed or - if this figure is lower – as of the time the authority is exercised. The shares acquired on the basis of this authorisation together with other shares of the Company owned by the Company or attributable to it pursuant to §§ 71a et seqq. AktG must at no time exceed 10 % of the share capital. The acquisition takes place at the Management Board's choice via the stock exchange, a public offering addressed to all shareholders, a public call to issue an offer (acquisition offer) or through the use of derivatives (put or call options or a combination thereof).

Fundamental agreements in the event of a change of control due to a takeover bid

The senior facilities agreement concluded between TeamViewer AG and its lenders is a material agreement which contains provisions applicable in the event of a change of control. These provisions grant the lenders the right to termination and early settlement of the repayment in the event of a change of control.

Compensation agreements with the Management Board or employees in the event of a takeover bid

The Company has not entered into compensation agreements with the Management Board or the employees to make provision in the event of a takeover bid.

08 Corporate governance statement

The corporate governance statement pursuant to §§ 289 et seq., 315 d HGB is published on the website of the Company at

https://ir.teamviewer.com/websites/teamviewer/English/1/investor-relations.html

It contains information regarding corporate governance practices, the composition and tasks of the Management Board and the Supervisory Board, target figures for female representation in executive positions and the declaration of conformity pursuant to § 161 AktG.

09 Closing statement on the dependency report

The Management Board of TeamViewer AG has created a dependency report pursuant to § 312 (1) AktG, which contains to following concluding statement: “In summary, we hereby declare that TeamViewer AG, Göppingen, and its subsidiaries received appropriate consideration in every legal transaction and were not disadvantaged in any legal transaction in the legal transactions listed in the report on relations with affiliated companies according to the circumstances that were known to us at the date on which the legal transactions were concluded.”

10 Management report of TeamViewer AG

(Condensed, in accordance with the German Commercial Code)

In addition to reporting on the TeamViewer Group, the development of TeamViewer AG in the 2019 fiscal year is set out below.

TeamViewer AG is the parent company of the TeamViewer Group and based in Göppingen. TeamViewer AG was established as a German GmbH on 3 July 2019 under the name Regit Beteiligungs-GmbH and entered in the commercial register at the district court of Ulm under the number HRB 738601 on 10 July 2019. TeamViewer AG was established by way of a change in legal form of Regit Beteiligungs-GmbH, which was founded on 3 July 2019, into a stock corporation on 3 September 2019 (date of entry in the commercial register at the district court of Ulm under the number HRB 738852).

The annual financial statements of TeamViewer AG are prepared in accordance with HGB. The consolidated financial statements of TeamViewer are prepared in accordance with the IFRS applicable on the reporting date and the interpretations of the IFRS Interpretations Committee (IFRS IC), the application of which is mandatory in the EU. This results in differences in accounting and valuation methods.

Earnings position of TeamViewer AG

The 2019 fiscal year of TeamViewer AG is a short fiscal year comprising the period from the Company's establishment on 3 July 2019 up to 31 December 2019. As the Company was established during the reporting year, no prior-year figures are available. By contrast, the fiscal year of the TeamViewer Group runs from 1 January 2019 to 31 December 2019 (with prior-year figures for 2018 being available) because TeamViewer AG continues the group of Regit Eins GmbH as a new parent company.

The profit or loss statement of TeamViewer AG for the short fiscal year 2019 is as follows:

In EUR million	Short fiscal year 2019
Revenue	**2.9**
Other operating income	0.4
Personnel expenses	(3.2)
Other operating expense	(1.8)
Interest and similar expenses	(0.1)
Income tax	0
Profit after tax	**(1.8)**
Other taxes	0
Net loss for the year	**(1.8)**

Revenue of TeamViewer AG resulted primarily from the provision of management services to affiliated companies and amounted to EUR 2.9 million in the short fiscal year 2019.

The Company's personnel expenses in the short fiscal year 2019 were EUR 3.2 million. During this period, TeamViewer AG employed a staff of 67 on average.

Other operating income in the short fiscal year 2019 was EUR 0.4 million and included primarily cost oncharges.

Other operating expense of EUR 1.8 million comprised primarily closing and audit costs, legal and advisory charges and the expense incurred for the Supervisory Board's remuneration.

Interest expenses in the short fiscal year 2019 were EUR 0.1 million. TeamViewer AG's net loss for the year was EUR 1.8 million.

Assets and financial position of TeamViewer AG

The assets and financial position of TeamViewer AG as at 31 December 2019 were as follows:

In EUR million	31 December 2019
Financial assets	3,999.7
Non-current assets	**3,999.7**
Receivables and other assets	0.5
Cash at banks	5.7
Current assets	**6.2**
Prepaid expenses	**-**
Total assets	**4,005.9**
Equity	3,997.9
Provisions	2.0
Trade payables, amounts payable to affiliated companies and other payables	5.9
Total equity and liabilities	**4,005.9**

Total assets of TeamViewer AG as at 31 December 2019 amounted to EUR 4,005.9 million.

As at 31 December 2019, EUR 3,999.7 million were accounted for by investments in non-current assets. They comprise the shares in Regit Eins GmbH which TLO contributed to Regit Beteiligungs-GmbH (now TeamViewer AG).

Current assets as at 31 December 2019 primarily comprised EUR 5.7 million in bank balances and receivables and other assets of EUR 0.5 million, mainly consisting of advance contributions paid to social insurance agencies.

The Company's equity at the time of its establishment was EUR 25 thousand. Due to the contribution of shares in Regit Eins GmbH and the contribution of a loan receivable by TLO[42], and taking into account a net loss for the year of EUR 1.8 million, TeamViewer AG's equity as at 31 December 2019 rose to EUR 3,997.9 million.

The provisions of EUR 2.0 million as at 31 December 2019 primarily included personnel-related provisions and provisions for closing and audit costs for the year 2019.

42 In company law terms, the TeamViewer Group was established through the contribution of 100 % of shares in Regit Eins GmbH to Regit Beteiligungs-GmbH (now TeamViewer AG) by TLO on 1 August 2019

The Company's liabilities totalled EUR 5.9 million. Alongside amounts due to associated companies of EUR 3.1 million, they mainly comprised other liabilities, particularly from value added tax (VAT).

Opportunities and risks

Because it acts as a holding company, the business development of TeamViewer AG is generally subject to the same opportunities and risks as the TeamViewer Group. TeamViewer AG participates in the opportunities and risks of its indirect and direct subsidiaries in the full amount. The opportunities and risks and the Group's risk management system are presented in the *Opportunity and risk report* in section B.04.

Adverse influences on the direct and indirect subsidiaries of TeamViewer AG may result in an impairment of the participation in Regit Eins GmbH in the annual financial statements of TeamViewer AG and reduce the Company's net result for the year.

Outlook

TeamViewer AG's net result for the year is dependent on the profit distributions of Regit Eins GmbH. In the short fiscal year 2019, there have been no dividend payments, and there are also presumably no dividend payments planned for the fiscal year 2020.

Because the 2020 fiscal year will comprise a full twelve-month period, a substantial increase in costs for TeamViewer AG in the current year when compared with the short fiscal year 2019 is expected, together with a significantly higher net loss for the year. For a detailed presentation of the expected future development of the TeamViewer Group, please see the *Outlook* in section B.05.

CONSOLIDATED FINANCIAL STATEMENTS TEAMVIEWER AG

for the fiscal year 2019

CONTENT

01 CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

from 1 January to 31 December 2019

In thousands of euro	2019	2018	Note
Revenue	390,191	258,157	(5)
Cost of sales	(50,228)	(46,610)	(6)
Gross profit	**339,963**	**211,548**	
Other income	7,723	1,588	(6)
Research and development	(37,934)	(23,039)	(6)
Sales	(52,731)	(30,458)	(6)
Marketing	(29,571)	(17,974)	(6)
General and administrative	(58,445)	(26,089)	(6)
Other expenses	(468)	(166)	(6)
Bad debt expenses	(15,489)	(8,280)	(12)
Operating profit	**153,048**	**107,129**	
Unrealised foreign exchange gains/(losses)	7,770	(20,791)	(8)
Realised foreign exchange gains/(losses)	(20,721)	(162)	(8)
Finance income	38,936	12,311	(8)
Finance costs	(83,891)	(93,988)	(8)
Profit before taxation	**95,142**	**4,499**	
Tax income/(expense)	8,717	(16,912)	(11)
Profit/(loss) for the year	**103,859**	**(12,413)**	
Other comprehensive income for the year			
Items that may be reclassified to profit or loss in subsequent periods	202	(10)	
Hedge reserve, gross	14	(14)	(15)
Exchange differences on translation of foreign operations	188	4	
Total comprehensive income for the year	**104,061**	**(12,423)**	

02 CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

as at 31 December 2019

In thousands of euro	2019	2018	Note
Non-current assets			
Goodwill	590,445	584,312	*(9)*
Intangible assets	235,831	252,563	*(9)*
Property, plant and equipment	26,480	2,239	*(10)*
Financial assets	4,424	-	*(21)*
Other assets	1,740	745	
Deferred tax assets	6,266	-	*(11)*
Total non-current assets	**865,187**	**839,858**	
Current assets			
Trade receivables	11,756	15,442	*(12)*
Other assets	5,856	3,258	*(13)*
Tax assets	4,972	-	*(11)*
Financial assets	-	9,715	*(21)*
Cash and cash equivalents	71,153	79,939	*(14)*
Total current assets	**93,737**	**108,355**	
Total assets	**958,924**	**948,213**	
Equity			
Issued capital	200,000	25	*(15)*
Capital reserve	320,661	116,312	*(15)*
(Accumulated losses)/retained earnings	(429,881)	(332,876)	*(15)*
Hedge reserve	-	(14)	*(15)*
Foreign currency translation reserve	1,081	4	*(15)*
Total equity attributable to owners of the parent	**91,861**	**(216,548)**	
Non-current liabilities			
Provisions	235	143	*(20)*
Financial liabilities	582,538	678,771	*(16)*
Deferred revenue	2,572	47,225	*(17)*
Other financial liabilities	-	2,928	*(21)*
Deferred tax liabilities	308	18,614	*(11)*
Total non-current liabilities	**585,652**	**747,681**	
Current liabilities			
Provisions	3,284	1,205	*(20)*
Financial liabilities	34,260	154,818	*(16)*
Trade payables	9,069	6,695	*(18)*
Deferred revenue	210,250	233,410	*(17)*
Deferred and other liabilities	17,793	13,846	*(19)*
Other financial liabilities	6,642	6,640	*(21)*
Tax liabilities	114	466	*(11)*
Total current liabilities	**281,411**	**417,080**	
Total liabilities	**867,063**	**1,164,761**	
Total equity and liabilities	**958,924**	**948,213**	

03 CONSOLIDATED STATEMENTS OF CASH FLOWS

from 1 January to 31 December 2019

In thousands of euro	2019	2018	Note
Cash flows from operating activities			
Profit before taxation[45]	95,142	4,499	
Depreciation, amortisation and impairment of non-current assets[45]	36,442	30,106	*(9), (10)*
(Gain)/loss from the sale of property, plant and equipment	(5)	-	
Increase/(decrease) in provisions	2,170	(221)	*(20)*
Non-operational foreign exchange (gains)/losses	10,869	20,208	*(8)*
Expenses for share-based compensation	36,830	1,800	*(7)*
Net financial result[45]	44,955	81,677	*(8)*
Change in deferred revenue	(67,814)	(28,097)	*(17)*
Changes in other net working capital[45]	2,917	3,601	
Income taxes paid	(17,879)	(1,016)	*(11)*
Interest received/(paid)	(18)	-	
Net cash from operating activities	**143,610**	**112,556**	
Cash flows from investing activities			
Proceeds from loans to third parties	-	180	
Capital expenditure for property, plant and equipment and intangible assets	(16,641)	(11,484)	*(9), (10)*
Proceeds from the sale of property, plant and equipment[45]	-	-	
Payments for the acquisition of non-current financial assets	(4,326)	-	
Interest received	90	126	
Net cash used in investing activities	**(20,877)**	**(11,178)**	
Cash flows from financing activities			
Repayments of borrowings	(696,373)	(5,016)	*(16)*
Proceeds from bank borrowings	610,313	-	*(16)*
Payments for the capital element of lease liabilities	(3,836)	-	*(22)*
Interest paid for borrowings and lease liabilities	(46,100)	(50,323)	*(8), (16)*
Proceeds/(payments) from the settlement of derivatives	(131)	(610)	
Proceeds/(payments) in equity	25	-	
Net cash used in financing activities	**(136,102)**	**(55,948)**	
Net change in cash and cash equivalents	**(13,369)**	**45,430**	
Net foreign exchange rate difference	-	272	
Net change from cash risk provisioning	815	(917)	*(14)*
Internal combinations and transfers	3,768	-	
Cash and cash equivalents at beginning of period	79,939	35,154	*(14)*
Cash and cash equivalents at end of period	**71,153**	**79,939**	*(14)*

45 Presentation changed compared to prior year. See note 2d.

04 CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

from 1 January to 31 December 2019

In thousands of euro	Issued capital	Capital reserve	(Accumulated losses)/ retained earnings	Hedge reserve	Foreign currency translation reserve	Total equity	Note
Balance as at 1 January 2019	**25**	**116,312**	**(332,876)**	**(14)**	**4**	**(216,548)**	
Profit/(loss) for the year	-	-	103,859	-	-	103,859	
Other comprehensive income the year	-	-	-	14	188	202	
Capital reorganisation	199,975	-	(199,975)	-	-	-	*(4)*
Share-based compensation	-	36,830	-	-	-	36,830	*(7)*
Shareholder contribution	-	167,518	(889)	-	889	167,518	*(4), (15)*
Balance as at 31 December 2019	**200,000**	**320,661**	**(429,881)**	**-**	**1,081**	**91,861**	
Balance as at 1 January 2018	**25**	**114,512**	**(316,226)**	**-**	**-**	**(201,689)**	
First-time adoption of IFRS 9 and IFRS 15[46]	-	-	(4,237)	-	-	(4,237)	
Profit/(loss) for the year	-	-	(12,413)	-	-	(12,413)	
Other comprehensive income	-	-	-	(14)	4	(10)	
Share-based compensation	-	1,800	-	-	-	1,800	*(7)*
Balance as at 31 December 2018	**25**	**116,312**	**(332,876)**	**(14)**	**4**	**(216,548)**	

46 The effects from the first-time adoption of IFRS 9 and IFRS 15 were recognised in accumulated losses on 1 January 2018; the comparative periods were not restated retrospectively.

05 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

01 Company information

TeamViewer Aktiengesellschaft (AG) was established on 3 July 2019 as a German limited liability company (Gesellschaft mit beschränkter Haftung, GmbH) under the name Regit Beteiligungs-GmbH and was registered with the commercial register (*Handelsregister*) of the district court (*Amtsgericht*) of Ulm under HRB 738601 on 10 July 2019. TeamViewer AG was established by way of a change in the legal form of Regit Beteiligungs-GmbH, which was founded on 3 July 2019, into a stock corporation on 3 September 2019 (date of entry in the commercial register under HRB 738852).

TeamViewer AG's principal shareholder, with a shareholding of 62.5 %, is TigerLuxOne S.à r.l. (TLO), a company registered in Luxembourg. TeamViewer AG's registered office is at Jahnstrasse 30, 73037 Göppingen, Germany. The fiscal year is the calendar year (see note 4 *Structure of the Group*).

From a corporation law perspective, the Group was established, on 1 August 2019, when TLO contributed 100 % of the shares of Regit Eins GmbH into Regit Beteiligungs-GmbH (now TeamViewer AG). From an accounting perspective, this contribution represents a capital reorganisation with the consequence that these consolidated financial statements of TeamViewer AG are a continuation of the consolidated financial statements of Regit Eins GmbH with a changed capital structure and a changed name (see note 4 *Structure of the Group – (b) Contribution into TeamViewer AG*). Regit Eins GmbH prepared its last consolidated financial statements as at 31 December 2018 and released these for publication on 19 August 2019. The consolidated financial statements of Regit Eins GmbH for the period ended 31 December 2018 can be downloaded at

https://ir.teamviewer.com/download/companies/teamviewer/IPOPROSPECTUS/prospectus_teamviewer.pdf

In the following, "Company" refers to either TeamViewer AG (formerly Regit Beteiligungs-GmbH) or Regit Eins GmbH.

The Group is engaged in the development and distribution of high-end remote connectivity solutions. Remote connectivity solutions are a vital component for many different use cases and applications like online communication and collaboration, remote support and remote management of any kind of connected devices such as machines, PCs, mobile devices and Internet of Things (IoT) devices. TeamViewer connects all those devices in a secure manner on a global basis across all operating systems and platforms.

02 Basis of preparation

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB) in force at the reporting date, as adopted by the European Union (EU) pursuant to EU Regulation No. 1606/2002 of the European Parliament and the Council on the application of international accounting standards, as well as the additional requirements of German commercial law pursuant to § 315e (1) of the German Commercial Code (Handelsgesetzbuch, HGB). The term IFRS also includes the International Accounting Standards (IAS) that are still in effect. All binding interpretations of the IFRS Interpretations Committee (IFRS IC) mandatory for the fiscal year 2019 were also applied.

The consolidated financial statements were approved and authorised for issue by the Company's Management Board on 11 March 2020.

(b) Basis of measurement

The consolidated financial statements are based on the principle of historical cost, except for the following items:

- Derivatives
- Assets acquired and liabilities assumed in a business combination, both of which are recognised at fair value

(c) Basis of preparation

The consolidated statements of profit or loss and other comprehensive income are presented using the cost of sales method. The consolidated financial statements follow the organisational requirements of IAS 1. The presentation in the statement of financial position distinguishes between current and non-current assets and liabilities. Assets and liabilities are classified as current if they are realised or fulfilled within one year. Debts are also classified as current if there is no unrestricted right to postpone the fulfilment of the debt by at least twelve months after the balance sheet date. As an exception, deferred tax assets and liabilities are reported in the statements of financial position as non-current items.

To provide a clearer and more meaningful picture, certain items have been combined in the consolidated statements of profit or loss and other comprehensive income and the consolidated statements of financial position, while specific explanations by item are provided in the notes.

(d) Basis of cash flow statement preparation

The Group presents cash flows from operating activities using the indirect method and has used "Profit before taxation" as the starting point.

Cash flows from financing activities include interest paid for loans, borrowings and similar products. Other interest payments (other than those from financing activities) are presented in cash flows from operating activities. The cash flows from investing activities include interest received from financial assets.

Compared to 2018, the presentation of the consolidated statements of cash flows changed for purposes of clarity.

- Profit before taxation: In 2018, the consolidated statements of cash flows were developed based on the profit after taxation.
- Intangible assets and property, plant and equipment: Compared to 2018 the separate disclosure of the positions *Depreciation of property, plant and equipment, Amortisation of intangible assets, Purchase of property, plant and equipment, Purchase of intangible assets, Proceeds from sale of property, plant and equipment* and *Proceeds from sale of intangible assets* was waived.
- Net financial result: Compared to 2018 the separate disclosure of *Net finance costs* and *Movement in fair value of derivative financial instruments* was waived.
- Changes in other net working capital: The positions *(Increase)/decrease in trade receivables, Increase/(decrease) in trade payables, (Increase)/decrease in prepayments, (Increase)/decrease in cost to obtain a contract, Increase/(decrease) in accrued expenses and other payables and (Increase)/decrease in other assets* were summarised in this position.
- The subtotal positions *Investments, Finance effects* and *Loans & borrowings* were omitted when they contained just one position or the individual positions were more meaningful.

(e) Presentation currency

The consolidated financial statements are prepared in euro (EUR or €), which is the Company's presentation currency. Unless otherwise noted, all amounts are rounded to thousands of euro (EUR thousand), which means that rounding difference may arise when individual amounts are added. This also applies to adding up percentages.

(f) Use of judgements and estimates

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenue, expenses, assets, liabilities, accompanying notes and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amounts of assets or liabilities affected in future periods.

Other disclosures relating to the Group's exposure to risks and uncertainties include:

- Capital management, note 15 *Equity,*
- Financial instruments risk management and policies regarding financial instruments, note 21 *Financial instruments – Fair value and risk management,*
- Sensitivity analyses, note 16 *Financial liabilities* and note 21 *Financial instruments – Fair value and risk management.*

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Revenue – starting with the release of TeamViewer 12 in the fourth quarter of 2016, the Group's Management Board estimated the period for the recognition of revenue for perpetual licences to be three years rather than four years (up to TeamViewer version 11). For further information, please see note 3 *Significant accounting policies.*

Recognition and measurement of assets – particularly regarding the recognition and measurement of intangible assets/goodwill and liabilities resulting from the purchase price allocation at the time of initial consolidation. Further information is included in note 10 *Goodwill and other intangible assets*.

Other intangible assets and goodwill – goodwill was allocated to the cash-generating units and a yearly impairment test was conducted. The key assumption for the impairment test is the determination of the recoverable amount per cash-generating unit. See note 10 *Goodwill and other intangible assets*.

Leases – renewal or termination options are taken into account in the determination of the contractual terms. If the Company has a unilateral renewal or termination option, the probability whether the option is exercised is also taken into account in the determination of the term. The Group assumes a term that is longer than the original term only when it is reasonably certain that it will extend the contract or not terminate it. If both parties have a renewal or termination option, the term of the contract is determined taking into account the probability of the exercise of this option and the potentially incurred economic disadvantages of both parties.

Estimates and assumptions

Described below are the key assumptions concerning the future as well as other key sources of uncertainties related to estimates that the Group made at the reporting date and which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next fiscal years. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Share-based compensation – The estimate of the fair value of share-based compensation requires the use of an appropriate measurement model, which depends on the conditions and the terms of the award granted. The estimate also requires the determination of appropriate inputs for the valuation model, including the expected volatility and dividend yield. The Group measures the first-time provision of services as an equity-settled share-based compensation using the Black-Scholes model to determine the grant date fair value. The assumptions and models used for the determination of the fair value of share-based compensation are presented in note 7 *Personnel expenses*.

Recognition of deferred tax assets – The prerequisite is the availability of future taxable profits against which carried forward tax losses can be used. Please refer to note 11 *Income tax.*

Tax-related liabilities – The Group calculates and pays income taxes in accordance with applicable tax laws.

The Group measures its ongoing tax refund claims/debts for the current and prior periods at the amount expected to be paid to or recoverable from the tax authorities, which involves dealing with uncertainties in the application of complex tax laws and regulations in a multitude of jurisdictions across the global operations.

Uncertain tax positions - The application of tax rules to complex transactions is often open to interpretation by both the Group and the tax authorities. The tax authorities may challenge positions taken by the Group in determining its current income tax expense and require further payments. Those interpretations of tax law that are subject to interpretation are generally referred to as uncertain tax positions.

For the valuation of an uncertain tax position the Group first determines if this position has to be valued separately or in connection with other uncertain tax positions. The determination is based on the estimation if there is such a connection between the positions that a common release of the uncertainty is expectable. Afterwards, the Group determines if the tax authorities, based on the assumption that the tax authorities will audit the positions based on complete knowledge of the cases, will accept the handling of the cases by the Group. If it is likely that the tax authorities will accept the handling of the case, only this will be the base of the valuation of the uncertain tax position. If not, the valuation of the uncertain tax position is based on the most likely amount or based on the expected value method. If the possible outcomes are binary or are concentrated on a certain value, the valuation of the uncertain tax position is based on the most likely amount, otherwise on the expected value method.

(g) IFRS 13 – Fair values

The Group measures financial instruments such as derivatives at fair value at each reporting date. Fair-value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are reported, are summarised in the following notes:

- Note 16 *Financial liabilities*
- Note 21 *Financial instruments*

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to determine the fair value, while maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy described below, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

03 Significant accounting policies

The accounting policies set out below have been applied consistently by Group companies throughout the periods presented in these consolidated financial statements.

(a) Basis of consolidation

Business combinations – The Group accounts for business combinations using the acquisition method in accordance with IFRS 3 when control is transferred to the Group. The consideration transferred in the acquisition, as well as the identifiable net assets acquired, are generally measured at fair value. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are fully expensed as incurred.

Subsidiaries – In line with IFRS 10, subsidiaries are entities controlled by TeamViewer AG. The Company controls an entity when it is exposed to or has rights to variable returns from its involvement and has the ability to affect those returns through the power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control is lost.

Loss of control – When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, any related non-controlling interests (NCI) and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Transactions eliminated through consolidation – Intra-group balances, transactions and any unrealised income, expenses and cash flows arising from intra-group transactions are eliminated. Intra-group losses are eliminated like intra-group gains.

Fiscal year – The fiscal year of all consolidated companies corresponds to the fiscal year of the parent company with the exception of the first fiscal year of the TeamViewer Singapore Pte. Ltd., which comprises the period from September 2018 to December 2019, and the fiscal year of TeamViewer India Pvt. Ltd., which comprises the period from April to March. If the fiscal year differs, financial information is used for Group consolidation that refers to the same reporting date as the financial statements of the parent company.

(b) Revenue

Revenue is derived from the sale of software subscriptions and perpetual software licences with post-contract support or maintenance in a single bundled transaction through direct sales to end users and indirect sales through resellers, distributors and through original equipment manufacturers (OEMs).

Each arrangement is treated as a single performance obligation for revenue recognition purposes since the components of the arrangements are not individually distinct or separable. Proportional recognition on a straight-line basis over the term of the arrangement is the most appropriate methodology for revenue recognition since the Group has to provide services over the full term of the contract. Accordingly, when the criteria for revenue recognition associated with the provision of services are met, the Group records revenue for the entire arrangement on a straight line basis.

In general, the Group identified the following deliverables within the product offering:

- Licences
- Technical support/minor updates
- Access via master server

Software subscriptions – Since the second half of 2018, all of the Group's offerings have been marketed as software subscriptions with ongoing updates.

The Group records revenue for the entire arrangement on a straight line basis over the subscription term (generally one month or one year).

Perpetual software licences – If licences are granted as perpetual licences, the estimated technological life of a particular software version is relevant for revenue recognition. The estimated technological life of a particular software version approximates the period over which the connectivity services are provided and thus the period over which revenue should be recognised. For all versions up to and including TeamViewer 11, the Group assessed this period to be four years. Due to changes in expected user behaviour the duration of revenue recognition was changed to three years starting with the release of TeamViewer 12 (October 2016). If updates for perpetual licences are provided, the deferred revenue is again recognised over the next three years. The portion of licence revenue from previous acquisitions that has not been recognised as revenue at the date of the update, is now deferred over the new period of three years.

Service contracts are a special type of perpetual licence. In these cases, the customers commit to buying the next updates of the licence versions. Since 2016, these contracts have no longer been offered to customers; instead, existing contracts have been prolonged as long as the existing customers do not terminate the contracts.

When sales are made through indirect channels such as sales partners or distributors, the Group recognises revenue beginning on the date of providing the licence key to the sales partner or distributor.

Add-on components – The Group offers add-on components to existing licences. These components are generally intended to add functionality to customers. These add-on features are separately invoiced optional products that may be offered upon customer request, at either subscription or perpetual terms. Since the add-ons are only usable in connection with the existing licence, the run-time of the add-on components equals the remaining lifetime of the base licence.

If updates for existing perpetual add-on components were provided, the resulting revenue is again recognised over the next three years, and the remaining revenue from the previous perpetual add-on component purchase will be deferred over a new three-year time period as well.

OEMs – Depending on the type of licence as described above, revenue from OEM transactions is recognised in the period in which the OEM sold the subscription to its customer. This is based on periodic reports provided to the Group by OEMs upon sales of their product within which the Group's software is embedded. On a monthly or quarterly basis, each OEM partner provides a report detailing the number of subscriptions sold. Based on these details, the Group invoices the partner for the percentage of partner sales owed by the partners to the Group and concurrently records revenue deferred over the subscription term.

(c) Employee benefits

Share-based compensation accounted for as equity-settled share-based compensation transactions

Neither TeamViewer AG (previously: Regit Beteiligungs-GmbH) nor one of its subsidiaries have granted share-based compensation awards to the Group's employees.

However, TLO as the controlling shareholder granted share-based compensation awards to selected managers of the Group, with these awards being either settled in cash or by transferring equity instruments. The same applies to TigerLuxOne Holdco S.C.A. (in the following: HoldCo) as the controlling shareholder of TLO. The company has granted selected managers of the Group the possibility to participate in TLO via limited partnerships controlled by HoldCo.

Even though no company of the Group of TeamViewer AG (previously: Group of Regit Eins GmbH) is obliged towards the managers to make a share-based compensation, the Group accounts for TLO's commitments as equity-settled share-based compensation transactions. This accounting treatment results from the fact that this structure is a share-based compensation transaction between companies of a Group. The Group of TeamViewer AG is part of the superordinate Group of TLO, which is obliged to make share-based compensation. Since the companies of the TeamViewer AG Group receive the service of the managers (and not TLO), the TeamViewer AG Group accounts for these transactions always as equity-settled share-based compensation transactions, regardless of the form in which the awards made by TLO to the managers are settled (cash or equity).

The same principles also apply in the case where HoldCo granted the possibility to managers to participate in TLO via limited partnerships controlled by HoldCo. This is also deemed a share-based compensation transaction between companies of a Group. Both the limited partnerships required to make the share-based compensation and the companies of the TeamViewer AG Group that receive services from the managers are all part of the superordinate HoldCo Group.

Measurement of transactions accounted for as equity-settled share-based compensation

The expenses in connection with these share-based compensation transactions required to be accounted for as equity-settled transactions are determined based on the grant date fair value using an appropriate valuation model. No expenses were recorded for share-based compensation transactions resulting from the participation of managers in TLO via the limited partnerships controlled by HoldCo since their grant date fair value was nil. For more information, please see note 7 *Personnel expenses*.

Recognition of transactions accounted for as equity-settled share-based compensation

If the managers acquire already on the grant date an unconditional right to share-based compensation, the expenses are also recorded on the grant date, together with a corresponding increase in equity (capital reserve). Otherwise, the expenses are recognised over the service period or the expected period in which the performance conditions are met (the vesting period) (note 7 *Personnel expenses*). The accumulated expense recognised for equity-settled transactions as at each reporting date until the vesting date in this case reflects the extent to which the expected vesting period has lapsed as well as the Company's best estimate regarding the number of ultimately vested equity instruments. The expense recognised in the statement of profit or loss for a reporting period corresponds to the change of the accumulated expense between the beginning and the end of the respective period.

Service and vesting conditions that are not market conditions are not taken into account in determining the fair value of awards as at the grant date. The probability that these conditions are met is, however, taken into account in the Company's best estimate of the number of ultimately vested equity instruments. More detailed information on vesting conditions that are no market conditions can be found in note 7 *Personnel expenses*.

Market conditions are included in the grant date fair value. Other conditions associated with an award that are not service or vesting conditions are classified as non-vesting conditions. Non-vesting conditions are taken into account in the grant date fair value of an award and lead to a direct recognition of an award as an expense, unless there are additional service and/or performance conditions.

Changes of transactions accounted for as equity-settled share-based compensation

In case of a change or modification of an existing award, the fair value of the original remuneration agreement determined as at the original grant date is expensed when the services are provided, i.e. the modification in the existing contract does not have any impact on the previous accounting treatment. In addition, the effect of the modification that increased the total fair value of the share-based compensation arrangement at the date of the change are accounted for as if a new arrangement has been agreed which is then measured at the incremental fair value as at the modification date.

(d) Finance income and finance costs

The Group's finance income and finance costs include:

- Interest income
- Interest expense
- Financing expense
- Foreign currency gains or losses on financial assets and liabilities

Interest income and interest expenses are recognised using the effective interest method.

(e) Income taxes

Income tax expense comprises current and deferred income taxes. It is recognised in accordance with IAS 12 in profit or loss unless it relates to a business combination or items recognised directly in equity or in other comprehensive income (OCI).

Current tax – Current income tax comprises the expected tax payable or recoverable on the taxable profit or loss for the year and any adjustment to this from previous years. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred tax – Deferred income tax is recognised for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- Temporary differences at the initial recognition of assets or liabilities in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss
- Temporary differences related to investments in subsidiaries to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future
- Taxable temporary differences arising on the initial recognition of goodwill

Deferred tax assets are recognised for unused tax losses, unused interest carryforwards, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax positions are offset if a legally enforceable right exists to set-off current tax assets against current tax liabilities and the deferred income taxes relate to the same taxable entity and the same tax authority.

(f) Property, plant and equipment

In line with IAS 16, items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. For property, plant and equipment acquired through a business combination, the cost is taken to be the allocated fair value as per the respective purchase price allocation.

Subsequent expenditure – Subsequent expenditure is only capitalised if it is probable that future economic benefits associated with the expenditure will flow to the Group.

Depreciation – Depreciation is calculated based on the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives and is recognised in profit or loss. Estate is not depreciated.

The estimated useful lives for property, plant and equipment are unchanged from the prior year and are as follows:

	Years
Office equipment	3-15
IT equipment	3-8
Improvements in premises	2-10

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(g) Intangible assets and goodwill

Goodwill – Goodwill arising from the acquisition of companies is measured at cost less accumulated impairment losses.

Research and development (R&D) – Expenditure on research activities is recognised in profit or loss as incurred.

Other intangible assets – Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses according to IAS 38. Other intangible assets that are acquired by the Group and have infinite useful lives are measured at cost and are tested for impairment at least annually according to IAS 36.

Amortisation – Amortisation is calculated based on the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives and is recognised in profit or loss. Goodwill is not amortised.

The estimated useful lives for intangible assets are unchanged from the prior year and are as follows:

	Years
Goodwill	indefinite
Trademark “TeamViewer”	indefinite
Customer relationships	10
Computer software	2-7

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(h) Cash and cash equivalents

Cash and cash equivalents comprise cash at banks, cash in hand and short-term deposits with an original maturity of three months or less. Cash and cash equivalents are defined as cash in hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value. For cash and cash equivalents, a risk provision for expected credit losses in line with IFRS 9 is recognised. For further information, see note 14 *Cash and cash equivalents*.

(i) Issued capital

Ordinary shares – Ordinary shares are classified as equity. Costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

(j) Financial liabilities

All financial liabilities are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, financial liabilities are subsequently measured at amortised cost using the effective interest method. The amortisation is included in finance costs in profit or loss. Financial liabilities include both loans and lease liabilities.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms or the terms of an existing liability are substantially modified, such an exchange or modification is treated as an extinguishment of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.

(k) Provisions

According to IAS 37, provisions are recognised if a present legal or constructive obligation to third parties has arisen as a result of a past event, if payment is probable and if the amount of the payment can be estimated reliably. They are measured using the best estimate of the expenditure required to settle the present obligation considering past experience. They are recognised at the most likely amount of the obligation. The amount of the provision is regularly adjusted if new information becomes available or if circumstances change. Non-current provisions are recognised as at the reporting date at the present value of expected settlement amounts, taking into account the development of prices and costs. Discount rates are regularly adjusted to prevailing market interest rates.

(l) Financial instruments

The Group records non-derivative financial assets that are held to collect contractual cash flows that are solely payments of principal and interest at amortised cost.

The Group classifies non-derivative financial liabilities at amortised cost. This particularly includes financial liabilities, as well as other financial liabilities, including trade payables. The Group currently has no non-derivative financial liabilities measured at fair value through profit or loss.

Non-derivative financial assets and liabilities

The Group initially recognises non-derivative financial assets and financial liabilities at the point in time the Group companies become party to the contractual provisions of the instrument. Purchases or sales of financial assets are recognised using trade date accounting.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all risks and rewards of ownership of the financial asset are transferred or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability. Moreover, trade receivables are derecognised when the Group has no reasonable expectation of recovering the receivable. This is always the case for receivables from the sale of software subscriptions and perpetual licences (including updates) when the receivable is not settled 12 months after its due date.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when the Group has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Non-derivative financial liabilities, trade receivables, financial liabilities and other financial liabilities are initially recognised at fair value plus or less any directly attributable transaction costs. Subsequent to initial recognition, these financial instruments are measured at amortised cost using the effective interest method.

Derivative financial instruments

The Group held derivative financial instruments to hedge its interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if certain criteria are met.

Those criteria include the conditions that the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract; that a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and that the hybrid (combined) instrument is not measured at fair value with changes in fair value recognised in profit or loss.

Derivatives that are not designated in an effective hedging relationship are classified as measured at fair value through profit or loss.

Derivatives are initially recognised at fair value; any directly attributable transaction costs are recognised in profit or loss as incurred. Derivatives are measured subsequently at fair value and changes in fair value are generally recognised immediately in profit or loss. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Derivatives may be related to expected transactions as contractual agreements may include exercise dates or similar transaction related conditions.

Hedge accounting

The Group applies the hedge accounting requirements set out in IFRS 9. When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in OCI and accumulated in the hedging reserve. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss. Fair value changes regarding the time value of an option that hedges a timeperiod-related hedged item are recognised in a separate component of OCI and amortised on a rational and systematic basis. The amount accumulated in equity in the hedging reserve is retained in OCI and is reclassified to profit or loss in the same period or periods during which the hedged item affects profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the amount accumulated in the hedging reserve is reclassified to profit or loss.

(m) Impairment

Non-financial assets – In accordance with IAS 36, the Group reviews assets with a finite useful life for impairment if there are indications that those assets may be impaired. Moreover, intangible assets with an indefinite useful life, intangible assets not yet ready for use and goodwill are tested for impairment at least annually.

At each reporting date, or when there are indications of potential impairment, the Group reviews the carrying amounts of its non-financial assets (other than deferred tax assets) to determine whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated. Goodwill and trademarks with an indefinite useful life are tested at least annually for impairment and whenever there is an indication of impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units (CGUs). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the higher of its value in use and its fair value less costs of disposal. The value in use is based on the estimated future cash flows, discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. To determine fair value less costs of disposal, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for comparable publicly traded companies or other available fair value indicators.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis. However, the carrying amount of each of the other assets in the CGU is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that cannot be allocated because of this floor is allocated to the other assets in the CGU on a pro rata basis.

An impairment loss for goodwill cannot be reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined net of depreciation or amortisation if no impairment loss had been recognised.

Financial assets – The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the cash flow the Group is contractually entitled to and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are an integral part of the contract.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL). For further details, please refer to note 21 *Financial instruments*.

For trade receivables and contract assets, included within other current assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, taking into account the forward-looking factors specific to the debtors and the economic environment. For further details, please see note 12 *Trade receivables*.

(n) Rental/lease payments

Since the beginning of 2019, the Group has applied IFRS 16 to rental and lease agreements.

For further information, see note 22 *Leases*.

(o) Foreign currency

Foreign currency transactions and foreign operations are recognised in accordance with IAS 21.

Foreign currency transactions – Transactions in foreign currencies are translated into the respective functional currencies of Group companies at exchange rates as at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency with the exchange rate as at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency with the exchange rate as at the measurement date. Foreign currency differences are generally recognised in profit or loss. Non-monetary items that are measured based on the historical exchange rate at their time of addition will not be restated.

Foreign operations – The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising from acquisitions, are translated from the functional currencies of Group companies into euro at exchange rates at the reporting date since this is the reporting currency of the parent company. Functional currencies of subsidiaries comprise euro, U.S. dollar, pound sterling, Australian dollar, Japanese yen, Indian rupee, Singapore dollar, Chinese renminbi and the Armenian dram. For reasons of simplification, the income and expenses of foreign operations are translated into euro at the average exchange rate of the year in which the respective transaction occurred.

Foreign currency differences arising from the translation of a foreign operation are recognised in OCI and accumulated in the translation reserve. When a foreign operation is disposed of in its entirety or partially such that control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

The following significant exchange rates have been applied at year-end:

Spot exchange rate

Currency	ISO Code	As at 31 December 2019	As at 31 December 2018
U.S. dollar	USD	1.12	n/a
Pound sterling	GBP	0.85	n/a
Australian dollar	AUD	1.60	n/a
Armenian dram	AMD	537.26	n/a
Japanese yen	JPY	121.94	125.85
Indian rupee	INR	80.19	79.73
Singapore dollar	SGD	1.51	1.56
Chinese yuan	CNY	7.82	n/a

The following table shows the annual average exchange rates for the most significant currencies, that are used for the translation of income and expenses of foreign operations into the reporting currency:

Annual average rates

Currency	ISO Code	2019	2018
U.S. dollar	USD	1.12	n/a
Pound sterling	GBP	0.88	n/a
Australian dollar	AUD	1.61	n/a
Armenian dram	AMD	538.04	n/a
Japanese yen	JPY	122.10	130.41
Indian rupee	INR	78.86	80.73
Singapore dollar	SGD	1.53	1.59
Chinese yuan	CNY	7.74	n/a

(p) Contingent liabilities

As defined in IAS 37, contingent liabilities are liabilities that may be incurred by the Group depending on the outcome of an uncertain future event. A contingent liability is disclosed unless the possibility of an outflow of economic resources is unlikely.

(q) Segment

Within the Group, there is only one single segment, with the TeamViewer platform as the reporting unit. The Group defined the “chief operating decision maker” to be the Chief Executive Officer and the Chief Financial Officer. They allocate the resources and assess the financial performance based upon the discrete financial information at consolidated level.

(r) Standards, interpretations and amendments to published standards issued and adopted

The following standards have been adopted by the Group that were mandatory for the first time for the fiscal year beginning on or after 1 January 2019:

- IFRS 16 Leases (see note 22 *Leases*).

The following amendments or improvements to standards have been adopted by the Group that were mandatory for the first time for the fiscal year beginning on or after 1 January 2019, but do not have any impact or any material impact on the Group:

- Amendments to IFRS 9 – Prepayment Features with Negative Compensation
- Amendments to IAS 28 – Long-term Interests in Associates and Joint Ventures
- Amendments to IAS 19 – Plan Amendment, Curtailment or Settlement
- IFRIC 23 – Uncertainty over Income Tax Treatments
- Annual Improvements to IFRS Standards 2015-2017 Cycle

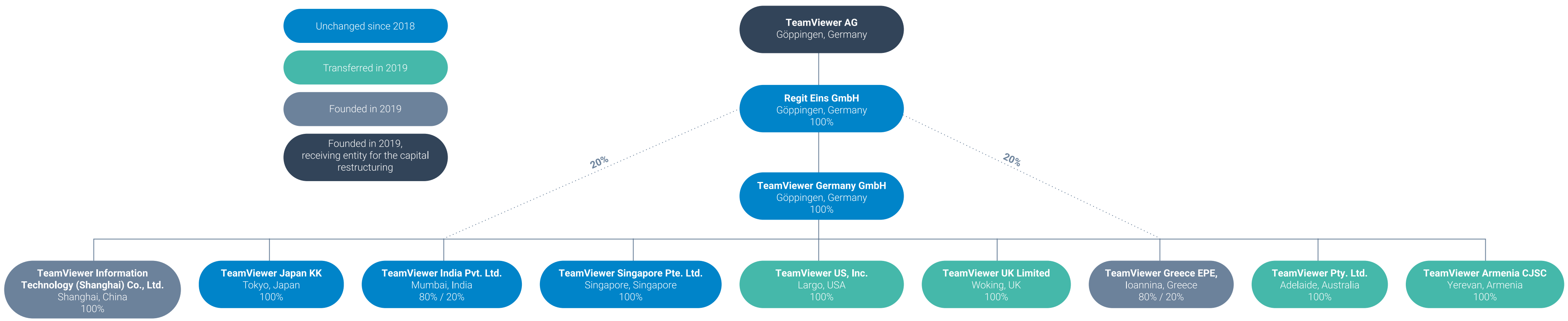
(s) Standards, interpretations and amendments to published standards issued but not yet adopted

A number of new standards and amendments to standards and interpretations are effective for fiscal years beginning on or after 1 January 2020.

The following amended standards are not expected to have a significant impact on the consolidated financial statements:

- Amendments to IAS 1 and IAS 8 – Definition of "Material"
- Interest Rate Benchmark Reform (Phase 1) Amendments to IFRS 9, IAS 39 and IFRS 7
- IFRS 17 Insurance Contracts
- Amendments to IFRS 3 Business Combinations
- Amendments to References to the Conceptual Framework in IFRS Standards
- Amendments to IAS 1 – Classification of financial liabilities as current or non-current

04 Structure of the Group



The Group structure is the result of various changes that occurred after 31 December 2018:

Group structure as at 31 December 2018

As at 31 December 2018, the Group consisted of Regit Eins GmbH, with its registered office in Göppingen, Germany, as the parent company and the following subsidiaries:

Name	Registered office
Regit Zwei GmbH	Göppingen, Germany
TeamViewer Germany GmbH[47]	Göppingen, Germany
TeamViewer India Pvt. Ltd.	Mumbai, India
TeamViewer Japan KK	Tokyo, Japan
TeamViewer Singapore Pte. Ltd.	Singapore, Singapore

Capital reorganisation (contribution into TeamViewer AG)

On 1 August 2019, TLO contributed 100 % of the shares of Regit Eins GmbH into Regit Beteiligungs-GmbH (now TeamViewer AG). The contribution was made in the capital reserve of the TeamViewer AG. Since Regit Beteiligungs-GmbH (now TeamViewer AG) also did not have any own business operations in line with IFRS 3, this contribution did not lead to any material changes to the already existing Group. Therefore, it is accounted for as a capital reorganisation, taking into account the transformation of the GmbH into a stock corporation (Aktiengesellschaft) (see note 15 *Equity – (a) Nature and purpose of reserves*). Therefore, these statements are a continuation of the consolidated financial statements of Regit Eins GmbH for accounting purposes, with the historical carrying amounts being used for the previous years as well. Only the structure of equity is adjusted. Therefore these consolidated financial statements are not a first-time adoption of IFRS in line with IFRS 1.

Business combinations under common control

On 12 June 2019 TLO, at that time the 100 % shareholder of Regit Eins GmbH, contributed 100 % of the shares of its following foreign subsidiaries to Regit Eins GmbH:

- TeamViewer US Inc. (USA)
- TeamViewer Pty. Ltd. (Australia)
- TeamViewer UK Limited (United Kingdom)

These subsidiaries are engaged in marketing and sales activities. Subsequently, these shares were contributed by Regit Eins GmbH into TeamViewer GmbH (now TeamViewer Germany GmbH).

On 27 June 2019, TLO contributed all the shares of Monitis CJSC (Armenia) into Regit Eins GmbH before they were contributed subsequently into TeamViewer GmbH (now TeamViewer Germany GmbH). In this context, the company was renamed to TeamViewer Armenia CJSC. TeamViewer Armenia CJSC operates in the area of software development.

47 Until the change in name on 21 August 2019 the name of the company was “TeamViewer GmbH”.

For business combinations under common control, the Group applies an accounting policy, which is referred to as “predecessor accounting”. With regards to obtaining control of the businesses of the four contributed foreign entities the Group

- recognised the assets and liabilities of the four contributed foreign entities when control was obtained at the carrying amounts recognised by TLO as the common controlling party. This includes any goodwill recognised when the four contributed foreign entities became part of TLO;
- recognised the pre-combination foreign currency translation reserve when control was obtained and reflected it in the post-combination financial statements of the Company,
- carried over the historical carrying amounts of assets and liabilities of the four contributed foreign entities (e. g. historic cost and depreciation of items of property, plant and equipment recognised by TLO) and reflected it in the post-combination financial statements of the Company;
- recognised no additional goodwill as a result of the business combination under common control. Any difference between the consideration transferred and the net assets of the four contributed foreign entities was recognised in the capital reserve;
- eliminated the effects of transactions between the Group and the four contributed foreign entities that occurred before the Company obtained control;
- did not restate financial information for periods prior to the business combination under common control and
- reflected the results of the four contributed foreign entities after obtaining control.

On 12 April 2019, the Group acquired the intellectual property rights of the Monitis software licence from TeamViewer UK Limited (UK) for EUR 3,610 thousand. EUR 603 thousand of the consideration was paid in cash, whereas the remaining liability of EUR 3,007 thousand was settled by offsetting loans and receivables to TeamViewer UK Limited (UK). As a linked transaction, this transaction is combined for accounting purposes with the business combination under common control for TeamViewer UK Limited. Consequently, the Group recognised the intellectual property rights of the Monitis software licence at the carrying amount of EUR 883 thousand recognised by TLO. The payment in the amount of EUR 603 thousand to TeamViewer UK Limited (UK) was neither presented in the cash flows from investing activities within the consolidated statement of cash flows, nor included in the cash added to the Group’s cash funds due to the contribution of the foreign entities.

As a result of the above-mentioned contribution of the foreign entities on 12 June 2019 and 27 June 2019, respectively, the following assets and liabilities were included in the consolidated financial statements:

Assets and liabilities recognised on contribution of foreign entities:

In thousands of euro	As at 12 and 27 June 2019
Assets	
Goodwill (see note 9 *Goodwill and other intangible assets*)	6,057
Other intangible assets (see note 9 *Goodwill and other intangible assets*)*	1,035
Property, plant and equipment (see note 10 *Property, plant and equipment*)	2,907
Other assets	1,700
Trade receivables	144
Cash and cash equivalents	3,768
Total assets	**15,611**
Liabilities	
Financial liabilities	690
Trade payables and other operating liabilities	3,403
Other liabilities	1,967
Total liabilities	**6,060**
Net assets stated at values in the predecessor's accounting books	**9,551**
Elimination of the sale of the Monitis software licences	(3,610)
Elimination of other transactions with the Group	2,737
Effect of the contribution of foreign entities on the Group's capital reserve	**8,678**

**Other intangible assets include the carrying amount of the Monitis software licences that were transferred on 12 April 2019.*

Together with the contribution of the shares of TV Borrower US LLC, as described in the following section, these business combinations under common control are also referred to as "contribution of foreign entities".

Further changes to the structure of the Group

On 12 June 2019, TLO contributed 100 % of the shares of TV Borrower US LLC, Clearwater, USA, into the Group before this company was merged with TeamViewer US Inc., Clearwater, USA, on 5 December 2019.

In January 2019, Regit Zwei GmbH was merged with Regit Eins GmbH.

TeamViewer Information Technology (Shanghai) Co., Ltd., Shanghai, China, founded in January 2019, was integrated into TeamViewer GmbH (now TeamViewer Germany GmbH) on 5 June 2019.

05 Revenue

Revenue

In thousands of euro	2019	2018
Billings	324,943	229,844
Changes in deferred revenue recognised in profit or loss	65,248	28,313
Total revenue	**390,191**	**258,157**

Billings are the (net) amounts invoiced to customers (without value added tax, VAT), i.e. revenue less the changes of deferred revenue recognised in profit or loss. The billings derive from contracts with customers in accordance with IFRS 15. In general, the billings derive from the sales of licences (subscription and perpetual). Only a very small part of the billings arises from other services that the Group offers, for example, support services for the implementation of the software at the client's site.

In 2019, the billings increased by EUR 95,098 thousand. From July 2018 onwards, the vast majority of sold licences were subscription-based.

The transformation of the business model is reflected in the change in deferred revenue. In general, licences are paid up-front; therefore, the deferred revenue position in the statement of financial position shows the amount of revenue not yet realised as the services were not yet provided to the customer (contractual liability towards the customer as defined in IFRS 15). For perpetual licences, the Group chose to defer the revenue over the estimated technological life of three years (until version 11: four years). For subscription licences, the revenue is deferred over the term of the subscription (subscriptions are sold mainly on a monthly or yearly basis). Therefore, the amount of revenue to be deferred is decreasing.

The Group expects to realise the amount of deferred revenue reported as at 31 December 2019 within the next three years. The major portion, EUR 210,250 thousand (2018: EUR 233,410 thousand), is expected to be realised within 12 months, and the remaining amount of EUR 2,572 thousand (2018: EUR 47,225 thousand) within the time period of one to three years. This estimation can vary depending on future updates of perpetual licences to higher versions since, after the update, the remaining deferred revenue of this licence will be deferred over a new period of three years. Since the Group has moved towards subscription licences, the effect from these prolongations is expected to be very low.

The release of the deferred revenue position as of 1 January 2019 increased the Group's revenue by EUR 233,410 thousand. In 2018, the effect of releasing deferred revenue on the revenue of the Group was EUR 161,019 thousand.

Revenue was generated in the following regions and by licence type:

Revenue by region

In thousands of euro	2019	2018
EMEA	219,751	151,204
AMERICAS	122,872	77,485
APAC	47,567	29,468
Total revenue	**390,191**	**258,157**

Revenue by licence type based on the development of the deferred revenue

	2019			
In thousands of euro	**As of 1 January**	**Additions/ billings**	**Release/ revenue**	**As of 31 December**
Perpetual licences	173,390	997	(125,525)	48,863
Subscription licences	107,246	324,266	(267,552)	163,959
Development of balance sheet position	**280,636**	**325,263**	**(393,077)**	**212,822**
Other	n/a	(320)	2,886	n/a
Effect on profit and loss	**n/a**	**324,943**	**(390,191)**	**n/a**

	2018			
In thousands of euro	**As of 1 January**	**Additions/ billings**	**Release/ revenue**	**As of 31 December**
Perpetual licences	265,428	29,711	(121,749)	173,390
Subscription licences	43,305	200,125	(136,185)	107,246
Development of balance sheet position	**308,733**	**229,836**	**(257,934)**	**280,636**
Other	n/a	8	(224)	n/a
Effect on profit and loss	**n/a**	**229,844**	**(258,157)**	**n/a**

In general, the Group offers its customers a payment term of 14 days after the purchase date. The purchase date is usually also the invoice date. The sales representatives are allowed to prolong the payment term. In average the payment was made after 33 days in 2019 (2018: 32 days).

06 Expenses by nature

2019

In thousands of euro	Cost of sales	R&D expenses	Sales expenses	Marketing expenses	General and administrative (G&A) expenses**	Other operating expenses	Bad debt expenses	Total expenses
Personnel expenses	(3,434)	(22,039)	(29,713)	(10,906)	(39,053)	-	-	(105,145)
Amortisation and depreciation	(24,970)	(4,210)	(4,073)	(1,073)	(2,115)	-	-	(36,442)
Services purchased	(1,075)	(4,113)	(8,624)	(4,674)	(3,292)	-	-	(21,778)
Legal and consultancy fees	(60)	(38)	(1,693)	(207)	(18,771)	-	-	(20,769)
Other expenses	(545)	(221)	(569)	(30)	(2,029)	(468)	(15,489)	(19,351)
Master server and router	(11,271)	-	-	-	-	-	-	(11,271)
Marketing	-	-	-	(9,912)	(152)	-	-	(10,065)
Expenses for payment service provider	(4,675)	-	-	-	-	-	-	(4,675)
Travel expenses	(149)	(558)	(1,369)	(625)	(1,200)	-	-	(3,900)
Royalties/licences	(697)	(246)	(915)	(682)	(1,347)	-	-	(3,887)
Internet costs	(2,404)	(289)	-	-	(795)	-	-	(3,488)
Leasing expenses	-	-	-	-	(1,571)	-	-	(1,571)
Communication	-	-	(1)	(3)	(1,262)	-	-	(1,266)
Employee recruitment	-	-	-	-	(1,257)	-	-	(1,257)
Recharges*	(947)	(6,219)	(5,774)	(1,460)	14,399	-	-	-
Total expenses	**(50,228)**	**(37,934)**	**(52,731)**	**(29,571)**	**(58,445)**	**(468)**	**(15,489)**	**(244,866)**

* *The line item "recharges" is used to charge costs of administration partially to other departments. Such costs mainly involve personnel expenses of the IT department, rental expenses for buildings, communication expenses and insurance costs.*

** *Cost incurred in preparing the IPO was recorded in G&A expenses. This cost was oncharged to and reimbursed by the selling shareholder TLO with the reimbursements being recognised in other income.*

2018

In thousands of euro	Cost of sales	R&D expenses	Sales expenses	Marketing expenses	G&A expenses	Other operating expenses	Bad debt expenses	Total expenses
Personnel expenses	(1,296)	(13,081)	(9,973)	(2,496)	(13,127)	-	-	(39,974)
Amortisation and depreciation	(25,255)	(1,942)	(1,636)	(367)	(907)	-	-	(30,106)
Services purchased	(2,183)	(3,391)	(14,846)	(4,075)	(616)	-	-	(25,110)
Legal and consultancy fees	-	(30)	(189)	(90)	(12,238)	-	-	(12,548)
Master server and router	(11,094)	-	-	-	-	-	-	(11,094)
Other expenses	(515)	(175)	(225)	(5)	(1,232)	(166)	(8,280)	(10,598)
Marketing	-	-	-	(9,629)	(122)	-	-	(9,751)
Expenses for payment service provider	(3,241)	-	-	-	-	-	-	(3,241)
Internet costs	(2,108)	(13)	-	-	(570)	-	-	(2,692)
Leasing expenses	-	-	-	-	(2,375)	-	-	(2,375)
Royalties/licences	(340)	(187)	(29)	(447)	(1,111)	-	-	(2,113)
Travel expenses	(80)	(310)	(394)	(134)	(633)	-	-	(1,551)
Communication	(9)	-	-	-	(856)	-	-	(865)
Employee recruitment	-	-	-	-	(599)	-	-	(599)
Recharges*	(489)	(3,911)	(3,166)	(731)	8,297	-	-	-
Total expenses	**(46,610)**	**(23,039)**	**(30,458)**	**(17,974)**	**(26,089)**	**(166)**	**(8,280)**	**(152,616)**

* *The line item "recharges" is used to charge costs of administration partially to other departments. Such costs mainly involve personnel expenses of the IT department, rental expenses for buildings, communication expenses and insurance costs.*

07 Personnel expenses

The personnel expenses included in cost of sales, R&D, sales, marketing and G&A expenses comprise:

Personnel expenses

In thousands of euro	2019	2018
Salaries and wages	57,923	32,455
Social contribution costs	10,392	5,719
Share-based compensation	36,830	1,800
Total personnel expenses	**105,145**	**39,974**

In 2019, expenses for statutory pension insurance totalled EUR 3,157 thousand (2018: EUR 2,316 thousand).

	2019		2018	
Region	Headcount	FTE	Headcount	FTE
EMEA	563	614	409	500
AMERICAS	102	140	-	113
APAC	63	87	1	39
Total	**728**	**841**	**410**	**652**

The average number of employees (headcount) in the fiscal years 2019 and 2018 was calculated based on the actual headcount at each quarter-end. Employees of the contributed foreign entities (see note 4 *Structure of the Group*) are not considered in 2018 and included in the calculation of 2019 figures only from the time of the contribution onwards.

The number of full-time equivalents (FTE) reflect the number of FTE as of 31 December 2019 and 31 December 2018, including the contributed foreign companies (see note 4 *Structure of the Group*).

Share-based compensation

As the recipient of the employee services in the fiscal years presented in the consolidated financial statements as at 31 December 2019, the Group accounted for the following programmes as equity-settled share-based compensation. These programmes were launched by TLO as the Group's controlling shareholder and by HoldCo as its direct controlling shareholder:

- Share appreciation rights programme, modified in August 2019
- Employee Participation Programme (EPP) bonus
- Capital payment from Management Equity Participation (MEP)

Share appreciation rights programme

On 24 January 2018, TLO established a programme to grant share appreciation rights for selected managers (in the following “Share Appreciation Agreement”).

Vesting conditions

Pursuant to this Share Appreciation Agreement, managers shall participate in the Group’s future share appreciation when one of the following events occurs:

- The sale of all or substantially all of the Group’s assets
- The sale of more than 50 % of the shares in the Group
- An initial public offering (IPO) of any shares in any Group entity, which is a holding entity of all or substantially all assets of the Group

If one of these events occurs, each beneficiary is entitled to a cash settlement if he is employed at the Group company when the exit event occurs, or when he has not previously left as a “bad leaver”. In accordance with the terms of the Share Appreciation Agreement, a beneficiary leaves as a “bad leaver” when he terminates his employment without cause.

Determination of the share appreciation

The amount of the share appreciation is calculated from the inception of the contract. The appreciation is calculated as the excess value resulting by deducting the following amounts from the proceeds generated from the above-mentioned events:

- The repayment of financial debt including shareholder financing agreements, such as loans, notes, preferred equity certificates (PECs), preferred shares or similar arrangements (if any)
- The repayment of premiums and other contributions made by the shareholder
- Transaction costs
- Any bonus paid by the shareholders to the employees of the Group
- A contractually agreed base amount

If, within the framework of these events, less than 100 % of the shares are disposed, the proceeds from disposal that would have resulted from the disposal of all the shares in the Group are estimated and used as the basis.

Amount of participation in appreciation

Pursuant to the Share Appreciation Agreement, the selected managers participate in this appreciation in the amount of 3.6 %. In the case of disposals of shares in tranches, the managers receive proportionate pay-outs of the appreciation amount by reference to the respective disposed share.

Contribution of TeamViewer US Inc.

As a result of the contribution of TeamViewer US Inc. on 12 June 2019, together with other foreign subsidiaries contributed by TLO to the Group (see note 4 ***Structure of the Group***), the number of beneficiaries from the Share Appreciation Agreement increased. This led to an increase in the managers’ share in the future appreciation from 3.6 % to 4.1 %.

Accounting

Although only TLO is obliged to settle the share-based compensation, the Group of TeamViewer AG (previously: Group of Regit Eins GmbH) as the recipient of the service of the managers must recognise an equity-settled share-based compensation since it is a transaction between companies of the superordinate TLO Group (see note 3 *Significant accounting policies (c) Employee benefits*).

Upon the grant of the Share Appreciation Agreement on 24 January 2018, the occurrence of the above-mentioned events was not expected prior to the end of the fiscal year 2019. Accordingly, the originally estimated vesting period also was two years. It was not until the third quarter of 2019 that a successful IPO of TeamViewer AG at the end of September 2019 adequately materialised which led to a decrease of the initial vesting period to 21 months.

In the year under review, the G&A expenses included an expense of EUR 1.9 million (2018: EUR 1.8 million) for the Group's Share Appreciation Agreement described herein.

Modification of the Share Appreciation Agreement

In August 2019, the Share Appreciation Agreement dated 24 January 2018 was modified (in the following: IPO Agreement) in order to provide for a more direct participation of certain managers in the Company and to align the interests of managers with those of new shareholders who invested within the framework of the IPO. The Share Appreciation Agreement of the management of TeamViewer US Inc. was not modified.

The changes in more detail

In the event of a successful IPO, the following changes to the Share Appreciation Agreement should apply:

- Increase of the share in the future appreciation from 3.6 % to 4.5 % for the managers entitled under the Share Appreciation Agreement.
- **Tranche 1** (cash-settled): The portion of the shares sold during the IPO in percentage, not more than 30 %, multiplied with the appreciation and multiplied with the granted share in the appreciation, less the payments from the MEP participation (see note 4 ***Structure of the Group***) vests as at the IPO date and becomes due for payment 30 days later.
- **Tranche 2** (equity-settled): 50 % of the difference between the granted share in the appreciation (i.e. 4.5 %) and the cash settlement made pursuant to Tranche 1 is settled in the Company's equity instruments on the vesting date. The number of equity instruments is determined on the basis of the share price on the issue date. Tranche 2 vests 12 months after the IPO.
- **Tranche 3** (equity-settled): The remaining 50 % of the difference between the granted share in the appreciation (i.e. 4.5 %) and the cash settlement made pursuant to Tranche 1 is settled in the Company's equity instruments on the vesting date. The number of equity instruments is determined on the basis of the share price on the issue date. Tranche 3 vests 24 months after the IPO.

Accounting for as equity-settled share-based compensations

Unchanged from the Share Appreciation Agreement, only TLO is obliged to make the share-based compensation after the modification. Even after the modification of the Agreement, the Group still recognises the service received from the managers as an equity-settled share-based compensation. This accounting treatment is made regardless of whether TLO settles the share-based compensation in cash (cash-settled) or by transferring equity instruments (equity-settled) (see note 3 *Significant accounting policies (c) Employee benefits*).

Accounting for the modification

The modification has no impact on the previous accounting treatment. The fair value of the original Share Appreciation Agreement (EUR 3.6 million) determined at the original grant date is recognised as an expense when the services are rendered. The G&A expenses in the fiscal year 2019 include an amount of EUR 1.8 million from the originally agreed Exit Bonus Agreement (2018: EUR 1.8 million).

In addition, the effect of the modification that increased the total fair value of the share-based compensation arrangement is accounted for as if a new arrangement had been agreed that is measured at the incremental fair value as at the modification date. Hence, the increase of the granted share in the “excess value” by +0.9 percentage points was accounted for as if it were a separate new arrangement. The G&A expense includes an amount of EUR 15.6 million (2018: EUR 0) from this modification in the fiscal year 2019.

EPP Bonus

In August 2019, TLO launched a programme to grant Share Appreciation Rights (SARs) for selected managers of the Group (EPP Programme) in order to create a long-term incentive for the managers with regard to the appreciation of the Company and the planned IPO or another sale of a participation in TeamViewer AG. In accordance with the EPP Programme, around 70 managers are entitled to participate in the future appreciation of the Company.

Vesting conditions

An IPO (in the following IPO Event) results in a partial cash payment at the date of the IPO (Tranche 1) and another partial payment at the date of the full sell-down, i.e. when the last share in TeamViewer AG is sold by TLO (Tranche 2). In addition, a discretionary bonus may be granted 30 days after the full sell-down by TLO (Tranche 3).

Any other full sell-down of the Company (e.g. a sale to a strategic investor, trade sale) by TLO leads to a payment three months after the sale. The determination of the bonus corresponds to Tranche 1 in the IPO Event. In addition, a discretionary bonus to be determined according to Tranche 3 in the IPO Event may be granted 30 days after the full sell-down by TLO.

The beneficiaries are entitled to this settlement only if they are in continuing employment within the Group when the IPO or the trade sale occurs (Tranche 1) or when the full sell-down occurs (Tranche 2 and Tranche 3), respectively. If the beneficiary has terminated his employment relationship before these dates, the claim for the respective tranche only lapses if he is a bad leaver as specified in the contract, e.g. termination of employment by the beneficiaries without cause.

Amount of the EPP Bonus

The settlement amount is based on the EPP Value, which represents the total settlement amount that might be paid out to managers and which is allocated to 12,000,000 EPP Units, of which 10,780,000 units have been granted in August 2019 to employees.

The EPP Value equals 1.63 % of the proceeds from the sale of 100 % of the shares in the Company, less

- any third-party debt, exit fees, costs, taxes or other liabilities;

- liabilities under PECs, shareholder loans and comparable shareholder instruments, including repayment of nominal amounts and accrued interest; and
- amounts contributed as equity to the Company by the shareholder.

Partial payments

In case an IPO Event occurs, the payment for each tranche is determined as follows:

Tranche 1:
30 % or – if lower – the percentage share of shares issued by TLO on the listing date, of the preliminary EPP value per EPP unit, with a maximum payment amount of EUR 50 million (cap). The preliminary EPP Value is determined on the IPO date based on the assumption that TLO sells all shares of TeamViewer AG at the IPO.

Tranche 2:
The final EPP Value per EPP unit based on the actual proceeds from the disposal of the shares by TLO when TLO no longer holds an interest in the Company and subject to the cap, less the payment from Tranche 1.

Tranche 3:
To the extent that the final EPP Value exceeds the cap, TLO may grant a remuneration to the selected managers after the full sell-down of the investment in the Company which equals the final and unlimited EPP Value per EPP unit less the cap (EUR 50 million) per EPP unit.

Since TLO already has promised the unlimited EPP Value to the selected managers, this discretionary award (Tranche 3) is considered a constructive obligation.

Accounting

Although only TLO is obliged to make the share-based compensation, the Group of TeamViewer AG, as the recipient of the service of the managers, must also recognise an equity-settled share-based compensation for the EPP Bonus Agreement because it is a transaction between companies of the superordinate TLO Group (see note 3 *Significant accounting policies (c) Employee benefits*).

The estimated vesting period for the second and third tranches is 28 months and 29 months, respectively, since an earlier full sell-down of the TeamViewer shares by TLO cannot be expected. The contribution of services by the relevant selected managers until the full sell-down of the shares represents a vesting condition. As at 31 December 2019, expectations about the estimated date of a full sell-down are unchanged as at the allocation date in August 2019.

In the period under review, R&D expenses in the amount of EUR 2.7 million, sales expenses in the amount of EUR 5.9 million, marketing expenses of EUR 5.2 million and G&A expense of EUR 4.8 million were attributable to the EPP Programme described herein.

Capital payment from MEP participation

In the fiscal year 2014, HoldCo launched a programme that allows selected managers of the Group of TeamViewer AG to participate in TLO via the limited partnerships controlled by HoldCo (MEP Programme). The managers participate in the performance of TLO after the limited partnerships have acquired shares in TLO by way of their contributions.

These indirect shareholdings were made via the four limited partnerships TigerLuxOne Management Beteiligungs S.à r.l. & Co. KG, TigerLuxOne Zweite Management Beteiligungs S.à r.l. & Co. KG, TigerLuxOne Dritte Management Beteiligungs S.à r.l. & Co. KG and TigerLuxOne Vierte Management Beteiligungs S.à r.l. & Co. The subscription price for the partnership interests subscribed by the managers in the limited partnership corresponded to their fair value at grant date.

Amount of capital payment

In accordance with the terms of the MEP Programme, managers are supposed to participate in the future appreciation of TLO Group that is realised when one of the following events (exit events) occurs:

- The shares of one Group company holding all or substantially all of the Group's assets are floated to the stock exchange (Initial Public Offering, IPO)
- The sale of shares in the Group
- The sale of all or substantially all of the Group's assets
- A transaction which has the same economic impact as one of the transactions described above, and which the managing partners of the limited partnerships therefore consider as an exit event

Vesting conditions

The managers shall only participate in the appreciation realised upon the occurrence of one of the events mentioned above when they still hold an interest in the limited partnerships at that time. Pursuant to the terms of the MEP Programme, this is the case when they are employed at the Group's companies upon the occurrence of the exit event or when they retain the limited partnership interest upon their retirement. The decision about the latter is at the full discretion of HoldCo.

If HoldCo decides that the manager shall not retain its limited partnership interest upon their retirement, the manager will receive a severance payment. If the manager is a "bad leaver", the severance payment equals the lower of the two following amounts:

- The fair value of the limited partnership interest at the date of retirement
- The consideration for the limited partnership interests plus subsequent contributions and less personal withdrawals

In accordance with the terms of the MEP Agreement, a manager leaves as a "bad leaver" when he terminates his employment without cause.

Fair value measurement of share-based compensation

The fair value of the (modified) Share Appreciation Agreement was determined in each case as at the grant date using the Black-Scholes model. Vesting conditions attached to the arrangements that are no market conditions were not taken into account in measuring fair value.

The determination of the expected volatility is based on the historical volatility of benchmark companies, measured at the grant date over a period which corresponds to the expected remaining maturity at this point in time.

The fair value of the EPP Programme is determined as at the grant date based on the medium value of the price range of the issue price representing a market price.

The following table shows the value of the SAR Programmes and provides information on the fair value as at the grant date:

	Share Appreciation Agreements[48]	**Modified agreements**[49]	**EPP Programme**[49]
	24 January 2018[49]	**31 August 2019**[50]	**31 August 2019**[50]
Valuation technique used	**Black-Scholes model**	**Black-Scholes model**	**Market price**
Intrinsic value (in EUR)	(0.16)[50]	20.11[51]	23.66[52]
Time value (in EUR)	0.66[48]	0.00[49]	0.00[50]
Fair value (in EUR)	0.50[48]	20.11[49]	23.66[50]
Expected term (years)	2	0.1	2.3
Expected exit probability (in %)	100 %	100 %	100 %
Risk-free interest rate (in %)	0 %	0 %	0 %
Expected volatility (in %)	30.6 %	30.6 %	30.6 %
Expected dividend yield (in %)	0 %	0 %	0 %
Weighted average remaining maturity of awards outstanding as at 31 December 2019 (in years)	0	1.3	2

As the investments in the partnership were acquired at fair value within the context of the MEP Programme, no expense will be recognised as a result of this transaction. The fair value of the transactions required to be accounted for by the TeamViewer AG's Group as equity-settled share-based compensation was nil as at the grant date.

48 Because the subscribed capital of TeamViewer AG was 200 million shares at the time of the IPO, the increase in value relevant for the value increase agreement and the IPO agreement, as well as for the EPP program, was fictitiously assumed for the purpose of comparability that this would amount to 200 million SARs is to be divided. The information on the intrinsic value, the time value and the fair value thus assume stock appreciation rights in relation to a TeamViewer share.

49 Numbers reflect the value as at the allocation date.

50 Based on the contractual agreements (4.1% of the value increase for agreements including agreements from the contribution of the TeamViewer US Inc.), the intrinsic value is EUR -1.3 million, the time value EUR 5.4 million and the fair value EUR 4.1 million.

51 Based on the contractual agreements (0.9% of the increase in value), the intrinsic value is EUR 36.2 million, the time value is EUR 0.0 million and the fair value is EUR 36.2 million.

52 Based on the contractual agreement (an EPP unit), the intrinsic value is EUR 6.43, the time value is EUR 0.00 and the fair value is EUR 6.43.

08 Finance income and finance costs

Exchange rate fluctuation

In thousands of euro	2019	2018
Realised exchange gains/(losses)	(20,721)	(162)
Unrealised exchange gains/(losses)	7,770	(20,791)
Total exchange rate fluctuation	**(12,951)**	**(20,953)**

Realised exchange gains from operating activities totalled EUR 3,032 thousand (2018: EUR 1,487 thousand), and losses totalled EUR 5,114 thousand (2018: EUR 2,189 thousand). Exchange gains related to financing activities were realised in the amount of EUR 14,078 thousand (2018: EUR 3,190 thousand), whereas losses amounting to EUR 32,716 thousand were realised (2018: EUR 2,649 thousand).

Unrealised exchange losses from financing activities amounted to EUR 7,399 thousand (2018: losses of EUR 20,749 thousand) due to the devaluation of the U.S. dollar in the fourth quarter, whereas unrealised exchange result from operating activities amounted to gains of EUR 370 thousand (2018: losses of EUR 42 thousand).

Finance income and finance costs

In thousands of euro	2019	2018
Finance income	**38,936**	**12,311**
Finance costs	**(83,891)**	**(93,988)**
Interest on bank loans	(44,896)	(49,699)
Interest for loans from related companies	(7,781)	(11,002)
Other finance costs	(31,214)	(33,287)
Net finance costs	**(44,955)**	**(81,677)**

Finance income mainly comprises gains in the fair value of derivative financial instruments.

Other finance costs primarily consist of losses in the fair value of derivative financial instruments, the amortisation of transaction costs of the bank loans, the recognition of the amortised cost of loans and the impairment on cash and cash equivalents. For further details, see note 21 *Financial instruments*.

09 Goodwill and other intangible assets

Goodwill and intangible assets 2019

In thousands of euro	Gross carrying amount as at 1 January 2019	Additions	Contribution of foreign companies	Disposals	Movements in exchange rates	Gross carrying amount as at 31 December 2019	Accumulated amortisation and impairment as at 1 January 2019	Additions	Contribution of foreign companies	Disposals	Movements in exchange rates	Accumulated amortisation and impairment as at 31 December 2019	Net carrying amount as at 31 December 2019	Net carrying amount as at 1 January 2019
Goodwill	584,312	-	6,057	-	76	590,445	-	-	-	-	-	-	590,445	584,312
Software	22,140	13,330	2,120	-	5	37,596	(5,689)	(6,863)	(1,086)	-	(2)	(13,641)	23,955	16,451
Construction in progress	-	89	-	-	-	89	-	-	-	-	-	-	89	-
Trademark TeamViewer	105,100	-	-	-	-	105,100	-	-	-	-	-	-	105,100	105,100
Customer relationships	235,800	-	-	-	-	235,800	(105,533)	(23,580)	-	-	-	(129,113)	106,687	130,267
Software “TeamViewer”	7,100	-	-	-	-	7,100	(6,355)	(744)	-	-	-	(7,100)	-	745
Total goodwill and intangible assets	**954,452**	**13,419**	**8,177**	**-**	**82**	**976,131**	**(117,578)**	**(31,188)**	**(1,086)**	**-**	**(2)**	**(149,854)**	**826,277**	**836,875**

Goodwill and intangible assets 2018

In thousands of euro	Gross carrying amount as at 1 January 2018	Additions	Reclassifications	Disposals	Movements in exchange rates	Gross carrying amount as at 31 December 2018	Accumulated amortisation and impairment as at 1 January 2018	Additions	Reclassifications	Disposals	Movements in exchange rates	Accumulated amortisation and impairment as at 31 December 2018	Net carrying amount as at 31 December 2018	Net carrying amount as at 1 January 2018
Goodwill	584,312	-	-	-	-	584,312	-	-	-	-	-	-	584,312	584,312
Software	6,031	7,056	9,053	-	-	22,140	(2,078)	(3,611)	-	-	-	(5,689)	16,451	3,953
Construction in progress	5,440	3,612	(9,053)	-	-	-	-	-	-	-	-	-	-	5,440
Trademark TeamViewer	105,100	-	-	-	-	105,100	-	-	-	-	-	-	105,100	105,100
Customer relationships	235,800	-	-	-	-	235,800	(81,953)	(23,580)	-	-	-	(105,533)	130,267	153,847
Software "TeamViewer"	7,100	-	-	-	-	7,100	(4,935)	(1,420)	-	-	-	(6,355)	745	2,165
Total goodwill and intangible assets	**943,783**	**10,668**	**-**	**-**	**-**	**954,452**	**(88,966)**	**(28,611)**	**-**	**-**	**-**	**(117,577)**	**836,875**	**854,817**

In connection with the acquisition of the TeamViewer business by Tiger Lux One S.à r.l. in the fiscal year 2014, three intangible assets were identified. The following table shows the intangible assets acquired and the respective useful life of each asset. All assets with a definite useful life are amortised on a straight-line basis.

Intangible assets

In thousands of euro	Fair value at acquisition date	Useful life
Trademarks	105,100	indefinite
Customer relationships	235,800	10 years
Software “TeamViewer”	7,100	5 years
Total intangible assets	**348,000**	

Amortisation – The amortisation of customer relationships and the “TeamViewer” software is included in profit or loss in cost of sales.

The useful life of the trademark is determined indefinite because the use of the trademark does not depend on the product life cycle of the software, and it can be used independently from the technology in place as a trademark. The Group determined the indefinite useful life of the trademark based on the following significant factors in accordance with IAS 38.90:

- The Group expects to continue to use its company trademark for an indefinite time. The commercial usage of the trademark does not depend on a specific management team.
- There are no indications of any commercial obsolescence of the trademark. The brand recognition increased permanently since the foundation of the Company.
- There are currently no indications of declining market demand in the respective industry.

Intangible assets with an indefinite useful life are tested for impairment annually in accordance with IAS 36 applying the procedure described in note 3 *Significant accounting policies*. The impairment test for the trademark is performed in connection with the goodwill impairment test, as described in the following section because the trademark does not generate cash inflows from continuing use on a stand-alone basis.

Impairment test – The impairment test was conducted on the basis of the cash-generating unit TeamViewer. The goodwill increased by EUR 6,057 thousand due to the contribution of foreign companies (see note 4 *Structure of the Group*).

The recoverable amount was derived based on the value in use, which is determined by discounting expected future cash flows to be generated from continuing use.

The recoverable amount was higher than the carrying amount. Consequently, no impairment of goodwill or intangible assets was required.

In accordance with IAS 36, five years of projected cash flows were included in the discounted cash flow model. A terminal value growth rate of 2 % (2018: 2 %) per annum has been determined as it represents the expected future long-term, inflation-related industry growth.

The business plan was prepared by the TeamViewer management and represents the most current planning for a five-year period available as at the valuation date (31 December 2019). The budgeted EBITDA was based on expectations of future outcomes taking into account past experience. The business plan includes a strong growth of billings within the planning period. For the fiscal years 2020-2024, billings growth is expected to continue (increase in use cases, coverage of additional customer segments and geographical expansion).

The discount rate was calculated using a pre-tax weighted average cost of capital (WACC), which includes cost of debt with a credit spread of 0.54 % (2018: 1.6 %) to consider borrowing costs from a market participant's view and the cost of equity. The cost of equity is derived from market data on the basis of a peer group of companies, which is made up of companies that are comparable to the Group's risk profile with respect to their business model, size and geographic distribution of sales.

Major components used in determining the cost of equity are the market risk premium of 7.5 % (2018: 7.0 %), the risk-free rate of 0.17 % (2018: 1.09 %) and an unlevered beta of 1.05 (2017: 1.15) which incorporates the five-year average of the Group's peer group. Additionally, a weighted country risk premium was taken into account with 0.8 % (2018: 0.8 %) to reflect the geographical risks the Company is exposed to. The weighting was based on the ratio of billings per country.

Key assumptions used in the calculation of value in use were discount rate, billings growth rate, terminal value growth rate and EBITDA margin. These assumptions were as follows:

%	2019	2018
Discount rate (pre-tax)	11.3 %	12.7 %
Billings growth rate	24.0 %	27.3 %
Terminal value growth rate	2.0 %	2.0 %
Budgeted adjusted EBITDA margin (terminal value)	56.9 %	66.9 %

The impairment tests performed as at 31 December 2019 and 2018 did not result in the impairment of goodwill. Changes in key parameters, which management deemed to be possible, would not result in impairment.

10 Property, plant and equipment

Property, plant and equipment 2019

In thousands of euro	Gross carrying amount as at 1 January 2019	Additions	Contribution of companies	Disposals	Movements in exchange rates	Gross carrying amount as at 31 December 2019	Accumulated depreciation as at 1 January 2019	Additions	Contribution of companies	Disposals	Movements in exchange rates	Accumulated depreciation as at 31 December 2019	Net carrying amount as at 31 December 2019	Net carrying amount as at 1 January 2019
Improvements in premises	364	221	532	(2)	5	1,120	(228)	(107)	(205)	2	(2)	(540)	580	136
IT equipment	4,220	1,608	1,468	(250)	11	7,057	(2,916)	(1,351)	(1,114)	250	(4)	(5,135)	1,921	1,305
Furniture and office equipment	1,241	310	579	(108)	6	2,029	(442)	(276)	(298)	108	(3)	(910)	1,119	798
Construction in progress	-	1,083	-	-	-	1,083	-	-	-	-	-	-	1,083	-
Total property, plant and equipment	**5,825**	**3,222**	**2,579**	**(360)**	**22**	**11,288**	**(3,586)**	**(1,733)**	**(1,617)**	**360**	**(10)**	**(6,586)**	**4,702**	**2,239**

Property, plant and equipment 2018

In thousands of euro	Gross carrying amount as at 1 January 2018	Additions	Contribution of companies	Disposals	Movements in exchange rates	Gross carrying amount as at 31 December 2018	Accumulated depreciation as at 1 January 2018	Additions	Contribution of companies	Disposals	Movements in exchange rates	Accumulated depreciation as at 31 December 2018	Net carrying amount as at 31 December 2018	Net carrying amount as at 1 January 2018
Improvements in premises	364	-	-	-	-	364	(152)	(76)	-	-		(228)	136	212
IT equipment	3,753	784	-	(317)	-	4,220	(1,954)	(1,278)	-	317	-	(2,916)	1,305	1,799
Furniture and office equipment	1,230	32	-	(21)	-	1,241	(322)	(142)	-	21	-	(442)	798	908
Construction in progress	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total property, plant and equipment	**5,347**	**816**	**-**	**(338)**	**-**	**5,825**	**(2,428)**	**(1,496)**	**-**	**338**	**-**	**(3,586)**	**2,239**	**2,919**

Right-of-use assets 2019

In thousands of euro	Gross carrying amount as at 1 January 2019 before IFRS 16	Impact of first-time adoption of IFRS 16	Additions	Contribution of companies	Disposals	Movements in exchange rates	Gross carrying amount as at 31 December 2019	Accumulated depreciation as at 1 January 2019	Additions	Contribution of companies	Disposals	Movements in exchange rates	Accumulated depreciation as at 31 December 2019	Net carrying amount as at 31 December 2019	Net carrying amount as at 1 January 2019
Right-of-use assets in buildings	-	3,146	14,288	2,293	(727)	18	19,019	-	(1,408)	(347)	10	(3)	(1,748)	17,271	-
Right-of-use assets in IT equipment	-	4,194	3,135	-	(854)	-	6,475	-	(2,110)	-	142	-	(1,968)	4,507	-
Total right-of-use assets	**-**	**7,340**	**17,424**	**2,293**	**(1,581)**	**18**	**25,494**	**-**	**(3,518)**	**(347)**	**153**	**(3)**	**(3,716)**	**21,778**	**-**

11 Income tax

Income tax benefit/(expense), net

In thousands of euro	2019	2018
Current tax benefit/(expense), net	(12,560)	(3,351)
Deferred tax benefit/(expense), net	21,277	(13,561)
Thereof from the recognition/derecognition of temporary differences	(25,245)	(5,529)
Thereof from interest and tax loss carryforwards	46,522	(8,032)
Income tax benefit/(expense), net	**8,717**	**(16,912)**

In the total income tax benefit, EUR 255 thousand current tax income (2018: EUR 574 thousand current tax expense) and EUR 90 thousand deferred tax income (2018: EUR 1,454 thousand deferred tax income) are included, which refer to prior periods.

The Group is based in Germany, which is subject to a statutory rate of 28.8 % in 2019 (2018: 28.8 %). The taxation rate in the other countries is within a range of 17 % to 33 % apply (17 % to 33 % in 2018).

Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates which are expected to apply in the relevant national jurisdiction when the amounts are recovered.

The reconciliation of expected income tax benefit/(expense) to actual income tax benefit/(expense) is as follows:

In thousands of euro	2019	2018
Earnings before tax	95,142	4,499
Expected income tax benefit/(expense) – 28.8 %	**(27,401)**	**(1,296)**
Difference due to different tax rates	74	-
Tax income from the recognition of interest carryforwards	49,330	-
Tax expense from the non-recognition of tax loss carryforwards	(467)	(15,024)
Non-deductible differences regarding share-based compensation	(10,636)	(518)
Permanent differences (tax-exempt income and non-deductible operating expenses, trade tax add back)	(2,623)	(975)
Current and deferred taxes, previous years	345	880
Other, net	95	21
Actual income tax benefit/(expense)	**8,717**	**(16,912)**

Tax income from the recognition of interest carryforwards relates to an interest carryforward amounting to EUR 217,192 thousand as of 31 December 2019 that was not recognised in the previous year due to potential forfeiture in case of ownership change. As a result of the IPO, potential forfeiture of interest carryforwards due to potential ownership change no longer applies. Furthermore, based on profit estimates, sufficient future taxable profits are available and, based on the refinancing together with the contribution of the shareholder loan, there is a significant decrease of future interest expense, the existing interest carryforward as of 31 December 2019 is fully recognised.

As of 31 December 2018 an existing interest carryforward of EUR 193,547 thousand due to potential loss in case of ownership change was not capitalised.

As at 31 December 2018, there was a tax loss carryforward in the amount of EUR 31,216 thousand which was fully utilised in the current fiscal year 2019.

Deferred tax assets and deferred tax liabilities are offset when the underlying amounts are collected by the same tax authority and there is a right to offset them.

Deferred tax assets

In thousands of euro	31 December 2019	31 December 2018
Intangible assets	185	-
Operating and office equipment	463	-
Trade receivables	298	403
Deferred revenue	14,403	50,060
Provisions	910	250
Interest carryforwards for tax purposes	55,506	-
Tax loss carryforwards	-	8,984
Total deferred tax assets	**71,764**	**59,698**
Netting against deferred tax liabilities	(65,498)	(59,698)
Net deferred tax assets	**6,266**	**-**

Deferred tax liabilities

In thousands of euro	31 December 2019	31 December 2018
Intangible assets ▸ subject to amortisation	(31,053)	(37,731)
Intangible assets ▸ not subject to amortisation	(30,269)	(30,269)
Loans and borrowings	(4,484)	(9,859)
Property, plant and equipment	-	(444)
Other	-	(9)
Total deferred tax liabilities	**(65,806)**	**(78,312)**
Netting against deferred tax assets	65,498	59,698
Net deferred tax liabilities	**(308)**	**(18,614)**

In 2019, a total amount of EUR 3,445 thousand was recorded in equity as deferred tax benefit. The amount comprises a tax receivable of EUR 791 thousand for the acquisition of Monitis Software and a tax benefit of EUR 2,654 thousand resulting from the reversal of a deferred tax liability in connection with the contribution of a shareholder loan into the capital reserve. In 2018, a total amount of EUR 1,714 thousand was recoded in equity resulting of first-time adoption of IFRS 9 and IFRS 15.

As at 31 December 2019, no deferred tax asset was recognised on the following amounts. The tax loss refers to Germany and can be carried forward for an unlimited period within general tax loss carryforward restrictions.

Not recognised deferred tax assets

In thousands of euro	31 December 2019		31 December 2018	
	Base amount of interest and tax loss carryforwards	Deferred tax assets not recognised for interest and tax loss carryforwards	Base amount of interest and tax loss carryforwards	Deferred tax assets not recognised for interest and tax loss carryforwards
Interest carryforwards	-	-	193,547	55,742
Tax loss carryforwards	1,621	467	22	6

Unchanged from the previous year, the company intends to fully reinvest the existing retained earnings of subsidiaries. Existing temporary differences amount to EUR 433,426 thousand as at 31 December 2019 (2018: EUR 501,834 thousand).

The amount of EUR 26,971 thousand stated in the previous year's financials corresponds to the taxable amount of the temporary differences. Further the previous year amount was calculated exempt consolidation effects.

No deferred tax liabilities were recognised on these taxable temporary differences as the time of the release of temporary differences is under control of the Company and a reversal of the temporary differences is assessed not to be probable over a foreseeable period of time.

Upon the acquisition of the TeamViewer business in the fiscal year 2014, the Group recognised contingent liabilities for uncertain tax positions in accordance with IFRS 3.22, which might be challenged by respective tax authorities and would have an effect on the current tax expense determined by the Group in the future.

At the date of acquisition, these contingent liabilities amounted to EUR 1,610 thousand and were not increased, used or reversed until the end of the reporting period. Expected reimbursements have been considered when determining this amount of contingent liabilities.

For periods after the acquisition date, contingent liabilities related to taxes in a lower single-digit million range exist. In addition, the Group estimates that the possibility of an outflow of economic resources concerning these tax positions is not probable, therefore no accruals were recorded for periods after the acquisition date.

Upon the first-time application of IFRIC 23, no further additional amounts had to be recognised to account for tax risks according to the Company's assessment.

12 Trade receivables

There are only current trade receivables. The Group does not recognise trade receivables if it has no unconditional right to consideration. Customers have the right to return purchased licences within seven days after purchase. During this period the Group has no unconditional right to receiving a consideration and only the service already delivered is presented separately pro rata as a contractual asset (see note 13 *Other current assets*). Current trade receivables on a gross basis including receivables older than 120 days are as follows:

Trade receivables ageing

In thousands of euro	31 December 2019	31 December 2018
Neither past due nor impaired	450	334
Past due and impaired		
1–30 days past due	11,389	10,275
31–60 days past due	2,852	3,048
61–90 days past due	2,554	1,090
91–120 days past due	1,708	1,002
More than 120 days past due	11,238	9,229
Total trade receivables, gross	**30,194**	**24,978**

Total trade receivables also include receivables from related companies (31 December 2019: EUR 301 thousand; 31 December 2018: EUR 4,876 thousand).

The loss allowance on the Group's current trade receivables is recognised in line with IFRS 9 using the expected credit loss model. The simplified approach is used calculating the lifetime expected credit losses. Due to the diversified customer base, the trade receivables net of consumption tax are clustered into a provision matrix showing specific expected credit losses for major countries and an average expected credit loss for minor countries. The Group uses the historical credit loss experience over the past year to calculate the loss allowances for different age bands. Management evaluates on a regular basis if reasonable and supportable information is available to adjust the historical default rates using forward-looking information including probability-weighted risks with low probability of occurrence. Trade receivables due more than 120 days are impaired in full. Due to the short time period and the low interest rate environment, the time value of money does not have any material effect on the allowance. The trade receivables include no material finance component.

Development of loss allowance on trade receivables

In thousands of euro	31 December 2019	31 December 2018
Valuation allowance as of beginning of fiscal year	(9,560)	(6,881)
Change in accounting policies	-	1,759
Release/(addition)	(15,489)	(8,280)
Utilisation	6,162	3,925
Contribution of foreign entities	472	-
Other movements	(24)	(83)
Total valuation allowance as at fiscal year-end	**(18,438)**	**(9,560)**

The loss allowance for trade receivables increased to EUR 18,438 thousand as at 31 December 2019 (31 December 2018: EUR 9,560 thousand) mainly due to increased receivables and higher expected credit losses. Overdue trade receivables are subject to enforcement activities. While in the previous year, trade receivables have only been derecognised after a limitation period of three years, in the fiscal year 2019, trade receivables and the applicable loss allowance are already derecognised if they are overdue for more than one year and no realisation of the receivable is expected. Prior-year figures have been adjusted accordingly to allow for comparison.

Information about the Group's exposure to credit and market risks for trade receivables is included in note 21 *Financial instruments – Fair values and risk management.*

Lifetime expected credit loss allowance (trade receivables) as at 31 December

	2019		2018	
Overdue	**In thousands of euro**	**Expected credit loss rate**	**In thousands of euro**	**Expected credit loss rate**
1–30 days	(2,181)	20 %	(1,743)	17 %
31–60 days	(1,541)	56 %	(1,683)	53 %
61–90 days	(2,301)	92 %	(754)	65 %
91–120 days	(1,550)	95 %	(681)	75 %
>120 days	(10,866)	100 %	(4,698)	100 %
Sum of valuation allowance	**(18,437)**		**(9,560)**	

13 Other current assets

Other current assets as at 31 December 2019 consist of the following categories:

Other current assets

In thousands of euro	31 December 2019	31 December 2018
Prepayments	3,108	1,442
VAT receivables	494	34
Other receivables	2,254	1,782
Total other current assets	**5,856**	**3,258**

Other receivables mainly consist of the contractual assets in line with IFRS 15 (EUR 432 thousand; 2018: EUR 329 thousand), receivables from payment service provider (EUR 395 thousand; 2018: EUR 217 thousand), deposit payments (EUR 49 thousand; 2018: EUR 198 thousand), costs to obtain contracts (EUR 388 thousand; 2018: EUR 710 thousand) and a security deposit due to Swiss VAT regulations (EUR 157 thousand; 2018: EUR 157 thousand). In addition, there were receivables due from employees in the amount of EUR 121 thousand (2018: EUR 106 thousand).

The contract asset as defined in IFRS 15 showed a net balance as at 31 December 2019 of EUR 432 thousand (gross amount of EUR 483 thousand less an allowance of EUR 51 thousand). Therefore, as at 31 December, the positions were as follows:

Contract assets in accordance with IFRS 15

In thousands of euro	31 December 2019	31 December 2018
Gross contract assets	483	341
Loss allowance	(51)	(12)
Net contract assets	**432**	**329**

14 Cash and cash equivalents

Cash and cash equivalents

In thousands of euro	31 December 2019	31 December 2018
Current bank accounts	70,557	80,686
Short-term deposits	337	5
Cash in hand	1	-
Other cash equivalents	460	264
Total cash and cash equivalents	**71,355**	**80,955**
Risk provision on cash and cash equivalents	(202)	(1,016)
Total cash and cash equivalents after risk provision	**71,153**	**79,939**

Other cash equivalents contain receivables from payment service providers.

The Group recognises a loss allowance in line with IFRS 9 using the expected credit loss model. The Group used credit default swaps to estimate the 12-month expected credit loss. The Group monitors the risk on a regular basis to determine if a significant deterioration of credit risk has occurred.

The Group determines a significant deterioration of credit risk if the credit rating of a bank is downgraded from investment grade. The Group assumes that a default has occurred if the Standard & Poor's credit rating of a bank is downgraded to below C. There has been no significant increase in default risk compared to the previous year. All impairments on cash and cash equivalents are calculated using the 12-month expected credit loss as at 31 December 2019.

The lower loss allowance in 2019 compared to the previous year is largely attributable to lower default probabilities of some banks.

Risk provision on cash and cash equivalents measured based on 12-month expected credit loss

In thousands of euro	2019	2018
As at 1 January	(1,016)	(100)
(Additions)/disposals	815	(916)
As at 31 December	(202)	(1,016)

15 Equity

Equity

In thousands of euro	31 December 2019	31 December 2018
Issued capital	200,000	25
Capital reserve	320,661	116,312
(Accumulated losses)/retained earnings	(429,881)	(332,876)
Hedge reserve	-	(14)
Foreign currency translation reserve	1,081	4
Total equity	**91,861**	**(216,548)**

(a) Nature and purpose of reserves

Issued capital – As at 31 December 2019, the issued capital comprises the share capital of TeamViewer AG in the amount of EUR 200,000 thousand and is divided into 200 million ordinary bearer shares with no par value. This share capital was created following the transformation of Regit Beteiligungs-GmbH into a stock corporation by way of the shareholder resolution dated 19 August 2019, which led to the change in the name of Company from Regit Beteiligungs-GmbH to TeamViewer AG, and entry in the commercial register on 3 September 2019. As at the transformation, the share capital of Regit Beteiligungs-GmbH amounted to EUR 200,000 thousand. After the Company was established on 3 July 2019 with a share capital of EUR 25 thousand, the share capital of Regit Beteiligungs-GmbH was increased by EUR 199,975 thousand to EUR 200,000 thousand upon the contribution of all the shares in Regit Eins GmbH on 1 August 2019.

At 31 December 2018, the Group's issued capital comprised the share capital of Regit Eins GmbH in the amount of EUR 25 thousand. The contribution of the shares in Regit Eins GmbH into Regit Beteiligungs-GmbH (now TeamViewer AG) has to be accounted for as a continuation of the consolidated financial statements of Regit Eins GmbH involving a reorganisation of capital (see note 4 *Structure of the Group– (b) Contribution into TeamViewer AG*). In the context of the reorganisation of capital, the Group's issued capital was increased by EUR 199,975 thousand to EUR 200,000 thousand, charged to accumulated losses/retained earnings.

Authorised capital – The Management Board is authorised to increase the issued capital until 2 September 2024 by up to EUR 100,000 thousand (authorised capital 2019). The subscription rights of the existing shareholders may be disapplied.

Conditional capital – The share capital of the Company is conditionally increased by up to EUR 60,000 thousand by the issuance of 60,000,000 new, ordinary bearer shares with no par value (conditional capital 2019). The conditional capital 2019 solely serves the purpose to grant new shares to the owners or holders of bonds, which according to the authorising solution adopted by the general meeting on 3 September 2019 are issued until 2 September 2024 by the Company or affiliated companies in which the Company directly or indirectly holds a majority interest, in the event that conversion and/or option rights are exercised or that conversion and/or option right obligations are met or that the Company exercises its right to grant shares of the Company instead of pay the amount due in full or in part. As at 31 December 2019, the Company has not used the conditional capital. Accordingly, the conditional capital 2019 amounts to EUR 60,000 thousand, as at 31 December 2019.

Capital reserve – The movement in the capital reserve in 2019 comprises the conversion of a loan of TLO in the amount of EUR 158,056 thousand (see note 16 *Financial liabilities*), the contribution of companies (see note 4 *Structure of the Group*) in the amount of EUR 8,678 thousand, the recognition of a deferred tax asset in connection with the contribution of EUR 784 thousand and the recognition of the share-based compensations in the statement of profit or loss in the amount of EUR 36,830 thousand (see note 7 *Personnel expenses*).

Hedge reserve – The reserve for cash flow hedges includes the effects of an interest rate cap; see note 21 – *Financial instruments*.

(b) Financial management

TeamViewer's financial management is geared to safeguarding the financial stability, flexibility and liquidity of the Group. It comprises the capital structure management and financing of the company, cash and liquidity management and the monitoring and managing of market price risks, such as exchange rate and interest rate risks. The financing structure of TeamViewer is designed to preserve the company's financial room for manoeuvre to enable it to take advantage of business and investment opportunities. This is achieved through a balanced equity/debt ratio. Pursuant to the terms of the loan agreements dating from 2019, the Group must comply with certain covenants (leverage ratio covenant) (see note 16 *Financial liabilities*).

16 Financial liabilities

Non-current liabilities

In thousands of euro	31 December 2019	31 December 2018
Financial liabilities	582,538	678,771
thereof from loans	565,492	678,771
thereof from lease liabilities	17,046	-
Other financial liabilities	-	2,928
Total non-current financial liabilities	**582,538**	**681,699**

Current liabilities

In thousands of euro	31 December 2019	31 December 2018
Financial liabilities from loans	34,260	154,818
thereof from loans	30,191	154,818
thereof from lease liabilities	4,069	-
Other financial liabilities	6,642	6,640
Total current financial liabilities	**40,902**	**161,458**

The non-current other financial liabilities as at 31 December 2018 with a carrying amount of EUR 2,928 thousand include the fair value of an embedded derivative which was derecognised in 2019 in the context of the refinancing. Current other financial liabilities comprise only accrued interest (2019: EUR 6,642 thousand; 2018: EUR 6,509 thousand) and, in 2018, a swap (EUR 131 thousand) that was derecognised on 31 December 2019.

(a) Terms and repayment structure

The following table shows the terms, conditions and carrying amounts of the Group's interest-bearing liabilities (for lease liabilities, please refer to note 22 *Leases*):

Interest-bearing liabilities

				31 December 2019	
In thousands of euro	**Currency**	**Nominal interest rate**	**Year of maturity**	**Principal amount (EUR)**	**Carrying amount (EUR)**
2019 syndicated loan USD	USD	4.81 %	2024	400,570	395,442
2019 syndicated loan EUR	EUR	2.50 %	2024	125,000	123,404
2019 syndicated loan GBP	GBP	3.58 %	2024	78,253	77,252
2019 syndicated loan – revolving credit facility	various	various	2024	-	(415)
Total interest-bearing liabilities				**603,823**	**595,683**

Interest-bearing liabilities

				31 December 2018	
In thousands of euro	**Currency**	**Nominal interest rate**	**Year of maturity**	**Principal amount (EUR)**	**Carrying amount (EUR)**
TLO loan	EUR	7.00 %	2024	162,515	149,720
2017 syndicated loan (first lien) USD	USD	7.55 %	2024	278,876	282,984
2017 syndicated loan (first lien) EUR	EUR	5.50 %	2024	222,045	224,927
2017 syndicated loan (second lien) USD	USD	11.05 %	2025	174,673	176,219
Syndicated loan 2017 revolving credit facility	various	various	2022	-	(260)
Total interest-bearing liabilities				**838,109**	**833,589**

The revolving credit facility is subject to a floating interest rate plus an agreed margin. The nominal interest rates presented include the respective current closing rates, the margin at the closing rates and existing interest floors. The principal is stated excluding capitalised interest.

Financing costs are included in the carrying amounts of the respective loans in the tables above. This results in a negative carrying amount for the revolving credit facility.

The revolving credit facility is currently not drawn but could be drawn up to an amount of EUR 35 million in different currencies in the future.

The derivatives embedded in the 2017 syndicated loan affect the fair value of these loans. The Group is entitled to repay the loans early, which is seen as a cancellation right. An additional agreement guarantees the lender a minimum interest rate of 1 %. Both embedded derivatives (cancellation right, minimum interest) are accounted for separately from the underlying transaction.

The payment structure of the loans is as follows, assuming a repayment as agreed in the loan agreement as at the reporting date (for lease liabilities, please refer to note 22 *Leases*):

Future cash flows as at 31 December 2019

In thousands of euro	Payable within 3 months	Payable within 3 to 12 months	Payable within 1 to 3 years	Payable within 3 to 5 years	Payable after more than 5 years	Total amount outstanding
2019 syndicated loan USD	9,750	29,885	76,739	373,255	-	489,629
2019 syndicated loan EUR	1,580	7,847	18,444	111,560	-	139,431
2019 syndicated loan GBP	1,396	5,324	13,079	71,208	-	91,008
Total future payments	**12,726**	**43,057**	**108,261**	**556,024**	**-**	**720,068**

Future cash flows as at 31 December 2018

In thousands of euro	Payable within 3 months	Payable within 3 to 12 months	Payable within 1 to 3 years	Payable within 3 to 5 years	Payable after more than 5 years	Total amount outstanding
TLO loan	-	-	199,159	-	-	199,159
2017 syndicated loan (first lien) USD	6,034	18,137	47,631	46,703	267,627	386,132
2017 syndicated loan (first lien) EUR	3,652	10,976	28,845	28,307	212,451	284,231
2017 syndicated loan (second lien) USD	3,218	16,411	39,203	39,149	197,143	295,124
Total future payments	**12,904**	**45,524**	**314,838**	**114,159**	**677,221**	**1,164,646**

For further details on risk management with regards to interest rate and liquidity risk, see note 21 *Financial instruments*.

(b) Syndicated loan

On 22 February 2017, Regit Eins GmbH entered into a seven-year credit agreement (2017 syndicated loans) with various lenders. As at the transaction date (27 September 2019), the Group restructured its financing. The 2017 syndicated loan was fully repaid and derecognised, and a new credit agreement (2019 syndicated loan) was entered into with various lenders. The Group made a drawdown of the following loans on 27 September 2019:

Refinancing on 27 September 2019	EUR loan	USD loan	GBP loan
Date of issue	27 September 2019	27 September 2019	27 September 2019
Repayment date	26 September 2024	26 September 2024	26 September 2024
Currency	EUR	USD	GBP
Principal amount	125,000,000	450,000,000	66,577,500
Reference rate	EURIBOR	LIBOR (USD)	LIBOR (GBP)
Interest period (variable)	6M (initial recognition)	6M (initial recognition)	6M (initial recognition)
Floor	0 %	1 %	0 %
Margin (depending on financial indicators)	1.75 % - 2.75 % (2.50 % at initial recognition)	2.0 % - 3.0 % (2.75 % at initial recognition)	2.0 % - 3.0 % (2.75 % at initial recognition)

The Group is obliged to make repayments of at least 5 % of the principal starting at the end of 2020.

The 2019 syndicated loans also include a revolving credit facility with a term of five years which can be drawn if necessary. During 2019 and 2018, the revolving credit facility was not drawn.

(c) Financial effects of the refinancing in 2019

The derecognition of the former loans has caused net expenses of around EUR 23 million, which can be broken down as follows:

Expenses caused by derecognition of loans

In thousands of euro	
Amortised cost of the repaid loans	6,850
Fair value of the derecognised embedded derivatives	(29,124)
Other	(601)
Total expenses	**(22,875)**

The Group has the unconditional right to early repay the loans in full or in part at any time. An additional floor agreement guarantees a minimum interest rate of 1.00 % for the USD loan and 0.00 % for the EUR and GBP loans.

The loans were measured at cost upon initial recognition, taking into account the costs directly attributable to the new loan (transaction costs of EUR 8,690 thousand). Subsequent measurement is based on amortised cost determined using the effective interest method.

(d) Loan of TLO

The loan of TLO was initially recognised at fair value which was calculated on the basis of the discounted cash flow method using the applicable market interest rates, the expected repayment date and a credit spread in line with the secured bank loans, taking into account the subordination of the loan. The loan was subsequently measured at amortised cost using the effective interest method, with an underlying interest rate of 10.44 % being used upon initial recognition. As a consequence, a portion of the loan principal was recorded in equity as a capital contribution upon initial recognition.

The loan was granted on 7 July 2014 at a principal amount of EUR 350 million. The fair value of the loan at the date of issuance was around EUR 280 million. The difference between the fair value of the loan and the principal amount at the date of issuance was around EUR 50 million (net of deferred taxes), which was recorded in equity as a contribution by the shareholders and reported under the capital reserve. Accordingly, deferred tax liabilities of EUR 20 million were recognised.

On 9 September 2019, the loan of TLO was contributed to Regit Eins GmbH via TeamViewer AG. Since this was a contribution under common control, the contribution was accounted for at its carrying amount (EUR 158,056 thousand).

(e) Loan covenants

Under terms of the 2019 credit agreements, the Group is required to comply with certain covenants regarding the leverage ratio (net financial liability/pro forma EBITDA, each defined in the credit agreement).

As at 31 December 2019, there were no breaches of loan covenants.

17 Deferred revenue

Deferred revenue

In thousands of euro	31 December 2019	31 December 2018
Non-current	2,572	47,225
Current	210,250	233,410
Total deferred revenue	**212,822**	**280,635**

The deferred revenue includes an amount of EUR 48,862 thousand related to perpetual licences (2018: EUR 173,390 thousand).

For further information, see note 5 *Revenue*.

18 Trade payables

Trade payables – ageing category

In thousands of euro	31 December 2019	31 December 2018
1–30 days	9,069	6,695
30–60 days	-	-
61–90 days	-	-
More than 90 days	-	-
Total trade payables	**9,069**	**6,695**

19 Deferred and other liabilities

The Group expects that the following deferred and other liabilities are to be settled within one year.

Deferred and other liabilities

In thousands of euro	31 December 2019	31 December 2018
Employee-related accruals	10,005	6,367
Payroll-related taxes and social security	1,468	672
VAT	2,312	1,515
Other	4,008	5,292
Deferred and other liabilities	**17,793**	**13,846**

20 Provisions

Provisions totalling EUR 3,519 thousand (2018: EUR 1,349 thousand) mainly consist of provisions relating to audit, consultancy and tax advisory fees, jubilee provisions, provision for litigation and provisions for potential tax payments (VAT, as well as interests and penal-surcharges for income tax purposes).

Total provisions

In thousands of euro	2019	2018
Balance as at 1 January	**1,349**	**1,514**
Additions	3,519	1,349
Usage	(1,304)	(1,409)
Reversals	(42)	(105)
Translation differences	(2)	-
Balance as at 31 December	**3,519**	**1,349**
Thereof non-current	235	143

As part of the global developments in the taxation of digital business models, more and more jurisdictions qualify the sale of software as a taxable transaction even in cases where there is no physical presence. In these cases, the foreign entrepreneur is obliged to collect sales tax from local customers and pass it on to the responsible tax office. As a result of the so-called Wayfair decision, various US states are also introducing regulations, accordingly.

In many cases, the interpretation of the newly introduced laws is still being clarified. TeamViewer monitors the respective design and application. If necessary, appropriate registrations and the collection of VAT from the local customer are made.

As of 31 December 2019, provisions in the lower single-digit million range were recognised in the balance sheet for possible payment obligations from previous and current periods.

In cases where responsible tax authorities take a different view from the company position, it cannot be ruled out that additional tax payments in the lower single-digit million range might arise. As based on the company's view that there is no likelihood of such probability, no further provisions are recorded in the balance sheet.

21 Financial instruments – Fair values and risk management

(a) Accounting classifications and fair values

The Group classifies financial instruments in accordance with IFRS 9. The Group measures non-derivative financial assets that are held to collect contractual cash flows that are solely payments of principal and interest at amortised cost. All non-derivative financial liabilities are measured at amortised cost. Derivatives are measured at fair value through profit or loss.

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy.

Carrying amount and fair value level

31 December 2019					
In thousands of euro	Carrying amount			Fair value level	
Classification in accordance with IFRS 9	Fair value through profit or loss	Amortised cost	Total	Fair value	Level
Financial assets	-	-	-	-	
Total financial assets measured at fair value	**-**	**-**	**-**	**-**	
Trade receivables	-	11,756	11,756	11,756	Level 2
Cash and cash equivalents	-	71,153	71,153	71,153	Level 2
Loan receivables	-	-	-	-	
Other financial assets	-	4,424	4,424	4,424	Level 2
Total financial assets not measured at fair value	**-**	**87,333**	**87,333**		
Financial liabilities – thereof derivatives	-	-	-	-	
Total financial liabilities measured at fair value	**-**	**-**	**-**	**-**	
Trade payables	-	9,069	9,069	9,069	Level 2
Lease liabilities	-	21,114	21,114	21,114	Level 2
Bank loans	-	595,683	595,683	595,683	Level 2
Other financial liabilities	-	6,642	6,642	6,642	Level 2
Total financial liabilities not measured at fair value	**-**	**632,508**	**632,508**		

Carrying amount and fair value level

31 December 2018					
In thousands of euro	**Carrying amount**			**Fair value level**	
Classification in accordance with IFRS 9	**Fair value through profit or loss**	**Amortised cost**	**Total**	**Fair value**	**Level**
Financial assets – thereof derivatives	11	-	11	11	Level 2
Total financial assets measured at fair value	**11**	**-**	**11**		
Trade receivables	-	15,442	15,442	15,442	Level 2
Cash and cash equivalents	-	79,939	79,939	79,939	Level 2
Loan receivables	-	9,704	9,704	9,704	Level 2
Total financial assets not measured at fair value	**-**	**105,086**	**105,086**		
Financial liabilities – thereof derivatives	3,058	-	3,058	3,058	Level 2
Total financial liabilities measured at fair value	**3,058**	**-**	**3,058**		
Trade payables	-	6,695	6,695	6,695	Level 2
Secured bank loans	-	833,589	833,589	833,589	Level 2
Other financial liabilities	-	6,509	6,509	6,509	Level 2
Total financial liabilities not measured at fair value	**-**	**846,794**	**846,794**		

In the position Financial assets, rent deposits for office space are included, in particular for the new headquarters of the Group in Göppingen (2019: EUR 4,200 thousand; 2018: EUR 0).

(b) Measurement of fair values

Valuation techniques – The fair values are calculated using standard financial valuation models, based entirely on observable inputs.

Interest rate swaps are measured with the discounted cash flow method using applicable yield curves. Interest rate caps are measured using an option pricing model with current market volatilities.

The fair values for the embedded derivatives are calculated with an option pricing model in which the most relevant factors are current yield curves and credit default spreads for comparable companies.

The fair values of the debt instruments assigned to Level 2 are calculated as the present values of the payments associated with the debts, based on the applicable yield curve and the credit spread curve for comparable companies.

Trade receivables, receivables from affiliates, other associates and investments, loan receivables, as well as cash and cash equivalents generally all have current maturities. Therefore, their carrying amounts approximate their fair values on the reporting date.

Trade payables, liabilities due and other non-financial liabilities also generally have current maturities. Therefore, their carrying amounts approximate their fair values on the reporting date.

There were no transfers between fair value levels in 2019 and 2018.

Net gains and losses – Net gains and losses by category of financial instruments in accordance with IFRS 7.20 are as follows:

Net gain/(loss)

In millions of euro	31 December 2019	31 December 2018
Financial assets and liabilities measured at fair value through profit and loss	2.9	(17.7)
Financial assets measured at amortised cost	(9.6)	(8.6)
Financial liabilities measured at amortised cost	(66.7)	(84.6)
Total net gain/(loss)	**(73.4)**	**(110.9)**

As shown above, net gains and losses include interest, changes in the fair value recognised in profit or loss, impairment losses and impairment reversals as well as currency translation effects. Within financial assets measured at amortised cost, losses of EUR -14.7 million (2018: EUR -9.2 million) were recognised that are related to the impairment of trade receivables and cash and cash equivalents. The net interest result for financial assets and liabilities that are measured at amortised cost was EUR -47.8 million (2018: EUR -62.1 million) and mainly comprises interest on bank loans of EUR -36.8 million (2018: EUR -48.4 million) and an interest expense for loans from related companies of EUR -11.4 million (2018: EUR -14.7 million).

Foreign exchange losses related to financial liabilities measured at amortised cost amounted to EUR -17.7 million (2018: loss of EUR -20.9 million). Foreign exchange gains related to financial assets measured at amortised cost amounted to EUR 4.4 million (2018: losses of EUR 0.4 million). Foreign exchange gains related to financial liabilities measured at fair value through profit or loss amounted to EUR 0.4 million (2018: EUR 0.4 million). The net interest result and the foreign exchange losses are comprised within the net losses in the table above. Interest income and expense on financial assets and liabilities accounted for at amortised cost are included in interest income on financial assets and in interest expense on financial debt, respectively (see note 8 *Finance income and finance costs*).

(c) Financial risk management

The Group has exposure to the following risks resulting from financial instruments:

- credit risk
- liquidity risk
- market risk

The goal of the Group's risk management policies is to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls as well as to monitor risks and adherence to limits.

Regarding assets, liabilities and future transactions, TeamViewer AG and its subsidiaries are exposed to risks resulting from changes in exchange rates and interest rates, among other things. Based on a risk appraisal, selected hedging instruments are used to limit these risks.

The use of derivatives is constantly monitored by the Management Board. This includes the functional segregation of trading, handling and posting and the authorisation of just a few qualified employees to carry out such transactions. The Group enters into derivatives for hedging purposes only.

Other disclosures on risk concentration and diversification of risks can be found in the report on opportunities and risks of the management report.

Credit risk – Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its payment obligations.

The Group is exposed to credit and counterparty risk from its financing and operating activities. The carrying amount of financial assets in the statement of the financial position reflects the credit risk exposure.

Trade receivables – The Group's exposure to credit risk is mainly influenced by the individual characteristics of each customer. Management also considers factors that may influence the credit risk of its customer base, including the default risk of the industry and country in which customers operate.

The Group seeks to minimise such risk by entering into transactions with counterparties that are believed to be creditworthy business partners or with financial institutions that meet high credit rating requirements. In addition, the portfolio of receivables is constantly monitored. Credit risk is limited to the nominal value of the individual receivables.

Software licences and services are sold subject to payment, so that the Group may block the licence in the event of non-payment. The Group does not require collateral in respect of trade and other receivables otherwise.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect to trade and other receivables (see note 12 *Trade receivables*).

Cash and cash equivalents – At 31 December 2019, the Group held cash and cash equivalents of EUR 71,153 thousand (2018: EUR 79,939 thousand). For further information, see note 14 *Cash and cash equivalents*.

Derivatives – Derivatives are entered into with banks and financial institutions with good credit ratings.

Liquidity risk – Liquidity risk is the risk that the Group will encounter difficulties in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure that it has sufficient liquidity to meet its liabilities when they are due, under both normal as well as stressed business conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group aims to maintain the level of its cash and cash equivalents at an amount higher than expected cash outflows on financial liabilities (other than trade payables) on a weekly basis. The Group also monitors the level of expected cash inflows on trade and other receivables together with expected cash outflows on trade and other payables. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The Group's credit agreements incorporate a EUR 35 million revolving credit facility that is unsecured. There were no drawdowns on the revolving credit facility as at 31 December 2019 (see note 16 *Financial liabilities*).

Exposure to liquidity risk – The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross, undiscounted, include estimated interest payments and exclude the impact of netting agreements.

Exposure to liquidity risk

31 December 2019	Contractual cash flows				
In thousands of euro	Carrying amount	Total	< 1 year	1–5 years	more than 5 years
Financial liabilities	595,683	720,068	55,783	664,285	-
IFRS 16 lease liabilities	21,114	22,783	4,507	10,801	7,475
Trade payables	9,069	9,069	9,069	-	-
Other financial liabilities	6,642	6,642	6,642	-	-
Total non-derivative financial liabilities	**632,508**	**758,562**	**76,001**	**675,086**	**7,475**

31 December 2018	Contractual cash flows				
In thousands of euro	Carrying amount	Total	< 1 year	1–5 years	more than 5 years
Financial liabilities	833,589	1,164,646	58,428	428,997	677,221
Trade payables	6,695	6,695	6,695	-	-
Other financial liabilities	6,510	993	993	-	-
Total non-derivative financial liabilities	**846,794**	**1,172,334**	**66,116**	**428,997**	**677,221**
In thousands of euro					
Interest rate swap	131	131	131	-	-
Total derivative financial liabilities	**131**	**131**	**131**	**-**	**-**

The gross outflows disclosed in the above table represent the contractual undiscounted cash flows relating to derivative financial liabilities that are held for risk management purposes and that are not usually closed out before contractual maturity. The disclosure shows net cash flow amounts for derivatives that are net cash-settled and gross cash inflows and outflows for derivatives that have gross cash settlement.

Amounts in foreign currency were each translated at the closing rate at the reporting date. The variable interest payments arising from the financial instruments were calculated using the last interest rates fixed at 27 September 2019.

The interest payments on variable interest rate loans and overdrafts and the swap agreement in the table above reflect spot market interest rates at the reporting date. These amounts may change as market interest rates change. The future cash flows on derivative instruments may be different from the amount in the above table as interest rates and exchange rates change.

Market risk – Market risk is the risk that changes in market prices – such as foreign exchange rates and interest rates – will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable ranges while optimising the return.

The Group uses derivatives to manage market risks. Generally, the Group seeks to apply hedge accounting to limit volatility in profit or loss.

Currency risk – The Group defines currency risks as the danger of losses resulting from changes in foreign exchange rates.

The Group is exposed to currency risk to the extent that currencies in which sales, purchases and borrowings are denominated and the respective functional currencies of Group companies may differ from each other. The Group is exposed to material currency risks only in relation to the U.S. dollar (USD) and the pound sterling (GBP) since the other currencies do not account for more than 3 % of the total monetary assets and liabilities.

The USD risk as regards the statement of financial position as at 31 December 2019 amounts to USD 426,002 thousand (2018: USD 512,547 thousand), which mainly refers to liabilities denominated in U.S. dollars. The GBP risk as regards the statement of financial position as at 31 December 2019 amounts to GBP 62,992 thousand (2018: GBP 326 thousand), which mainly refers to liabilities denominated in pound sterling. These instruments are all held by Regit Eins GmbH, a company with EUR as its functional currency. The Group receives cash inflows in U.S. dollars from revenue in the U.S. and in pound sterling from revenue in the United Kingdom. For this particular reason, there is a natural currency hedge of USD and GBP interest and redemption payments to a large extent, and no financial hedge is in place.

Foreign currency exchange rate fluctuations may create adverse and unpredictable earnings and cash flow volatility. The risk is mitigated because the Group entities mainly conduct business in the same currency area. In addition, the foreign currency transaction exposure is partly balanced by the purchase of goods and services in the respective currencies as well as business activities and other contributions along the value chain in the local markets. This effect leads to future cash flows denominated in each entity's respective local currency.

Loans or receivables between related companies of TeamViewer AG do not have a material impact on the Group's liquidity risk arising from exchange rate risks since only small amounts are not denominated in euro.

Exposure to currency risk – The quantitative data about the Group's exposure to currency risk as reported to the management is summarised as follows:

Exposure to currency risk

in USD thousand	31 December 2019	31 December 2018
Cash	33,511	22,314
Trade receivables	4,029	3,234
Other receivables	960	155
Financial liabilities	(458,652)	(519,312)
Derivatives	-	(1,119)
IFRS 16 lease liabilities	(1,279)	-
Other financial liabilities	-	(257)
Trade payables	(2,605)	(2,891)
Other liabilities	(1,965)	(14,670)
Net exposure in the statement of financial position	**(426,002)**	**(512,547)**

in GBP thousand	31 December 2019	31 December 2018
Cash	3,244	161
Trade receivables	625	804
Other receivables	-	-
Financial liabilities	(66,578)	-
Derivatives	-	-
IFRS 16 lease liabilities	-	-
Other financial liabilities	-	-
Trade payables	(192)	(639)
Other liabilities	(92)	-
Net exposure in the statement of financial position	**(62,992)**	**326**

Sensitivity analysis – A theoretical appreciation (depreciation) of the EUR against the USD or the GBP as at 31 December 2019 would have affected the measurement of financial instruments denominated in a foreign currency and affected equity and profit or loss by the amounts shown below. Other foreign currencies would not have caused significant effects on profit or loss and equity. This analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecasted sales and purchases.

If the EUR had been 10 % stronger (weaker) against the USD, the Group's net income would have been EUR 37.2 million (2018: EUR 44.8 million) higher (lower) assuming that all other risk factors remained unchanged.

If the EUR had been 10 % stronger (weaker) against the GBP, the Group's net income would have been EUR 7.4 million (2018: EUR 0 million) higher (lower) assuming that all other risk factors remained unchanged.

Interest rate risk – Interest rate risks are understood as the negative impact of fluctuating interest rates on the net profit of the Group. A distinction must be made between fixed-interest and floating-rate financial instruments. For fixed-interest financial instruments, a fixed market interest rate is agreed on for the full term of the financial instrument. The risk is that when market interest rates fluctuate, the market price of the financial instrument will change (fair value risk due to changes in interest rates). The market price is based on the present value of future payments (interest payments plus repayment of principal) discounted using the market interest rate prevailing at the end of the reporting period for the residual term of the respective payment. The fair value risk due to changes in interest rates will therefore lead to a gain or loss if the fixed-interest instrument is sold before maturity.

For floating-rate financial instruments, the interest rate is adjusted in line with respective market interest rates. There is a risk that there may be fluctuations in interest rates leading to changes in the future interest payment (cash flow risk due to interest rate changes).

Interest rate swaps were used in the fiscal year 2018 to hedge interest rate risks. An interest rate swap involves swapping the fixed or floating interest rate in the underlying transaction for a floating or fixed-interest rate respectively for the entire term of the underlying instrument. The decision on whether to use derivative financial instruments is based on the projected interest rate risk and amount of debt. The interest hedging strategy is reviewed regularly, and new targets are defined if necessary.

Exposure to interest rate risk – The interest rate profile of the Group's interest-bearing financial instruments is as follows:

Fixed-rate instruments

In thousands of euro	31 December 2019	31 December 2018
Financial liabilities	21,114	149,720
Effect of interest rate swaps	-	95,750
Total fixed-rate instruments	**21,114**	**245,470**

Variable-rate instruments

In thousands of euro	31 December 2019	31 December 2018
Financial liabilities	595,683	683,869
Effect of interest rate swaps	-	(95,750)
Total variable-rate instruments	**595,683**	**588,119**

Sensitivity analysis for variable-rate instruments – The interest sensitivity analysis presented below shows the hypothetical effects that a change in the market interest rate at the end of the reporting period would have had on the pre-tax profit and on equity. It is assumed in this simplified analysis that the exposure at the end of the reporting period is representative of the year as a whole and that the assumed change in the market interest rate at the end of the reporting period was possible. It is assumed in the calculations that all other variables, particularly exchange rates, remain constant.

A movement of the yield curve by +50/-50 basis points would have a cash flow effect on the loans in the coming 12 months in the amount of EUR -2.6 million/EUR +2.4 million (2018: EUR -2.2 million/EUR +2.2 million) and an effect on net income for the year and consequently equity in the amount of EUR -2.6 million/EUR +2.4 million (2018: EUR 0.3 million/EUR -0.1 million).

(d) Derivatives and hedge accounting

General information on the Group's derivatives – In 2014, the Group entered into an interest rate cap agreement and an interest swap agreement. The interest cap and the interest rate swap expired on 31 December 2019 and were not renewed. As at 31 December 2018, the interest cap asset showed a balance of EUR 11 thousand, whereas the interest swap agreement was booked as a liability with an amount of EUR 131 thousand.

Derivatives designated as hedge reserve – As at the reporting date, there are no derivatives designated as a hedge reserve. As of 31 December 2018, only the new interest rate cap agreement was designated as a cash flow hedge. There was an economic hedge relationship between the hedged item (primary and secondary USD loan with a nominal value of USD 519 million as of 31 December 2018) and the hedging instrument (interest rate cap), since both are designated inversely proportional to the 3-month USD LIBOR with a constant hedge rate of 0.75.

(e) Changes from liabilities arising from financing activities

The following table illustrates the changes from liabilities arising from financing activities:

Changes from liabilities arising from financing activities

In thousands of euro	1 January 2019	Cash flows	Foreign exchange movements	Changes in fair values	Interest and amortised cost	Contribution to equity	Contribution of companies	Other[53]	31 December 2019
2019 syndicated loan	-	610,313	(7,442)	-	(7,187)	-	-	-	595,683
2017 syndicated loan	683,869	(696,373)	19,565	-	(8,056)	-	-	995	-
Loan from shareholder	149,720	-	-	-	11,363	(158,058)	-	(3,027)	-
Lease liability	7,142	(4,186)	15	-	348	-	1,797	15,998	21,114
Other financial liabilities	9,568	(45,752)	97	(2,531)	48,609	-	-	(3,348)	6,643

In thousands of euro	1 January 2018	Cash flows	Foreign exchange movements	Changes in fair values	Interest and amortised cost	Contribution to equity	Contribution of companies	Other	31 December 2018
2019 syndicated loan	-	-	-	-	-	-	-	-	-
2017 syndicated loan	669,298	(5,016)	20,851	-	(1,264)	-	-	-	683,869
Loan from shareholder	135,399	-	-	-	3,689	-	-	10,632	149,720
Lease liability	-	-	-	-	-	-	-	-	-
Other financial liabilities	6,144	(50,459)	31	2,804	60,833	-	-	(9,785)	9,568

53 The position other in the fiscal year 2019 contained especially the additions to the lease liabilities due to IFRS 16.

22 Leases

Lease payments represent rentals payable by the Group for certain buildings, servers and motor vehicles.

First-time adoption of IFRS 16

Prior to 1 January 2019, lease payments were accounted for in accordance with IAS 17 and the relevant IFRS IC (IFRS Interpretation Committee) and SIC (Standing Interpretations Committee) interpretations. This implied that expenses under operating leases were recognised in profit or loss on a straight-line basis over the lease term, and no related assets or liabilities were recognised in the statement of financial position.

Since the financial year 2019, the Company has applied IFRS 16 Leases, which was issued in January 2016. This standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. As at the date of initial application (1 January 2019), the Company applied IFRS 16 Leases using the modified retrospective method. This method was applied consistently for all identified leases. The Group elected to use the practical expedient for the transition to the new standard pursuant to which the standard shall be applied only to agreements that had been identified previously as leases within the meaning of IAS 17 and IFRIC 4 as at the date of initial application. The Group has elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ("short-term leases"). Retroactive changes to existing agreements are also not applied.

Right-of-use asset

The Group recognises right-of-use assets at the commencement date. The right-of-use asset is initially measured at cost, which consists of the initial amount of the respective lease liability adjusted for any prepayment done at or before the commencement less any lease incentive received. Consequently, the right-of-use asset is adjusted for any changes in the lease contract. The recognised right-of-use assets are depreciated on a straight-line basis during the lease term and are subject to impairments.

Lease liabilities

The lease liabilities are measured initially at the present value of lease payments that are not paid at the commencement date and are expected to be made during the remaining lease term, discounted using the company's incremental borrowing rate. The incremental borrowing rate used matches the lease term. The lease payments include the fixed payments (including in-substance payments) less any incentives receivable, variable lease payments (which depend on an index or rate) and any amount expected to be paid under residual value guarantee.

Subsequently, the lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in the index or rate, a change in the estimate related to the amount expected to be payable under a residual value guarantee, or if the Group changes its assumption regarding its right to exercise the purchase, renewal or termination option. For any change in the value of the lease liability, the carrying amount of the respective right-of-use asset is adjusted accordingly.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered of low value (i.e., TeamViewer assets with a value below EUR 5,000). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Significant judgement in determining the lease term of contracts with renewal and termination options

Periods resulting from the exercise of a renewal option by the lessee are included in the term of a lease if the exercise of the renewal option by the lessee is reasonably certain. The same applies to periods by which the lease is renewed if a termination option is not exercised. They are also included in the lease term if it is reasonably certain that the lessee will not exercise the termination option. In the case of mutual termination options that can be exercised without the consent of the other contractual party, these periods are only included in the term of the lease if the termination is associated with more than only minor economic disadvantages for both contractual parties.

The effect of IFRS 16 adoption as at 1 January 2019

In thousands of euro	Increase/(decrease)
Assets	
Property, plant and equipment	7,340
Other assets (prepaid lease payments)	(199)
Total assets	*7,142*
Liabilities	
Financial liabilities	7,142
Total liabilities	*7,142*

At the commencement of a lease for which the Company is the lessee, it recognises:

- a deferred tax asset related to the lease liability to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised; and
- a deferred tax liability related to the right-of-use asset.

As a consequence of recognising deferred taxes on the initial recognition of right-of-use assets and lease liabilities, the Group recognised deferred tax assets related to lease liabilities and deferred tax liabilities related to right-of-use assets in the amount of EUR 2,056 thousand each on 1 January 2019 as the date of initial application of IFRS 16. The amount of deferred tax assets equalled the amount of deferred tax liabilities at the date of initial application of IFRS 16 since all of these leases have previously been classified as operating leases under IAS 17, the right-of-use assets have been measured at an amount equal to the lease liability and tax deductions are only given for the lease payments made. The recognition of these deferred tax assets and liabilities did not have any effect on the statement of financial position on 1 January 2019 because of offsetting. These deferred tax assets and liabilities might however affect the profit or loss and the statement of financial position of the subsequent period because the right-of-use assets and the lease liabilities might unwind of different bases.

Reconciliation of operating lease commitments as at 31 December 2018 to lease liabilities recognised as at 1 January 2019

Operating lease commitments as at 31 December 2018	**6,367**
Weighted average incremental borrowing rate as at 1 January 2019	**4.8 %**
Discounted using the lessee's incremental borrowing rate at the date of initial application as at 1 January 2019	**6,057**
Less short-term leases recognised on a straight-line basis as expense	(242)
Add/(less) adjustments as a result of a different treatment of renewal and termination options	1,327
Lease liability recognised as at 1 January 2019	**7,142**

Amounts recognised in the statements of financial position and the statements of profit or loss

The carrying amounts of the right-of-use assets and lease liabilities and the movements for the period ended 31 December 2019 are set out below:

In thousands of euro	Buildings	IT equipment	Total	Lease liabilities
1 January 2019	**3,146**	**4,194**	**7,340**	**7,142**
Additions	13,574	2,424	15,998	15,998
Amortisation and depreciation	(1,411)	(2,110)	(3,521)	-
Interest expense	-	-	-	348
Lease payments	-	-	-	(4,186)
Exchange rate effects	15	-	15	15
Contribution of foreign entities (note 4)	1,946	-	1,946	1,797
31 December 2019	**17,271**	**4,507**	**21,777**	**21,114**

Lease prepayments from prior years in an amount of EUR 199 thousand reduced the lease liability at initial application.

In fiscal year 2019, the Group entered into a lease for an office building at the Göppingen site with a non-cancellable term of 10 years.

The leasing payment for short-term leases and for low value assets for the period ended 31 December 2019 was EUR 490 thousand.

Maturity analysis of lease obligations

In thousands of euro	31 December 2019
Contractual undiscounted cash flows	
Less than one year	4,486
1–3 years	6,478
3–5 years	4,323
More than 5 years	7,475
Total undiscounted lease liabilities	**22,762**
Lease liabilities included in the statement of financial position	**21,114**
Current	4,069
Non-current	17,046

23 Operating segments

The Group is managed on a single segment base with the TeamViewer platform as the basis for the segmentation. The decision for the segmentation was based on the internal organisation which is based on the platform as a single line of reporting. Reporting of the platform is based on the different geographic locations as reporting units, naming Europe, Middle East and Africa (EMEA), North, Central and South America (AMERICAS), and Asia-Pacific (APAC).

As there is no further segment, the consolidated statements of comprehensive income already show the revenue and expenses of the segment and the consolidated statements of financial position already show the segment assets and segment liabilities. Therefore, no further breakdown is prepared. All revenue shown in the consolidated statements of comprehensive income are generated with external customers.

The segment generates revenue from the following brands: TeamViewer®, ITBrain®, Monitis® and BLIZZ®. In 2018, the decision was made to rebrand the products to make a stronger emphasis on the TeamViewer brand. Therefore, ITBrain was renamed in TeamViewer Remote Management.

The most significant success indicators on the basis of which the management steers the Group are billings per region and adjusted EBITDA.

Billings by region

In thousands of euro	2019	2018
EMEA	173,981	129,531
AMERICAS	109,778	69,211
APAC	41,184	31,102
Billings	**324,943**	**229,844**
Changes in deferred revenue recognised in profit or loss	65,248	28,313
Total revenue	**390,191**	**258,157**

The adjusted EBITDA is calculated as follows:

In thousands of euro	2019	2018
Operating profit/(loss)	**153,048**	**107,129**
Amortisation and depreciation	36,442	30,106
EBITDA	**189,490**	**137,235**
Change in deferred revenue recognised in profit or loss	(65,248)	(28,313)
Further items to be adjusted	57,878	11,657
Adjusted EBITDA	**182,120**	**120,579**

Further items to be adjusted comprise:

In thousands of euro	2019	2018
Expenses for share-based compensation programmes	(36,830)	(1,800)
Expenses (and income) in connection with the IPO	(10,820)	(120)
Other special items to be adjusted	(10,228)	(9,737)
Total	**(57,878)**	**(11,657)**

The main item to be adjusted is the expense in connection with the share-based compensation programmes launched by TLO in the amount of EUR 36.8 million (2018: EUR 1.8 million) (see note 7 *Personnel expenses*). In addition, expenses (and income) from the IPO, as well as bonus payments to employees in connection with the IPO of EUR 10.8 million (2018: EUR 0.1 million), were adjusted. The other special items to be adjusted primarily include expenses from the implementation of requirements of the General Data Protection Regulation and special IT projects in the amount of EUR 3.5 million (2018: EUR 5.3 million), expenses from reorganisations in the amount of EUR 3.2 million (2018: EUR 3.5 million) as well as expenses for special one-time legal disputes in the amount of EUR 2.5 million (2018: EUR 0 million).

The split of revenue by geographical regions within the segment is as follows:

Revenue by region

In thousands of euro	31 December 2019	31 December 2018
USA	89,914	57,908
Germany	65,580	41,707
United Kingdom	19,130	14,790
France	20,952	12,553
Australia	11,744	9,608
Switzerland	12,011	8,969
Canada	11,745	7,697
Italy	12,658	7,058
Japan	8,693	4,717
Brazil	7,944	4,528
Rest of EMEA	89,421	66,127
Rest of APAC	27,130	15,143
Rest of AMERICAS	13,270	7,352
Revenue	**390,191**	**258,157**

The non-current assets, excluding financial instruments and deferred tax assets, are mainly related to Germany.

The Group has a very diversified customer base. Therefore, no single customer has a share in revenue of more than 10 %.

24 Related party disclosures

TLO is the main shareholder of TeamViewer AG (Regit Eins GmbH in 2018) with an interest of 62.5 % (2018: 100 %). The remaining 37.5 % are in free float. As the group parent company, TLO prepares consolidated financial statements, in which the TeamViewer Group is included. TLO publishes its consolidated financial statements in the Luxembourg commercial register (www.lbr.lu). There are no consolidated financial statements for a larger group of consolidated companies.

The Group is majority-owned by funds advised by Permira Holdings Limited, an international private equity firm registered in the United Kingdom. There is no senior parent of TLO which produces consolidated financial statements available for public use.

The funds superordinate to TLO are

(i) Permira V G.P. Limited, Permira V G.P. L.P., P5 SUB L.P. 1, Tiger Group Holdings Limited, TigerLuxOne Topco S.à r.l., TigerLuxOne Midco S.à r.l. and TigerLuxOne Holdco S.C.A.;

(ii) Permira V G.P. Limited, Permira V G.P. L.P., Permira V L.P. 2, Tiger Group Holdings Limited, TigerLuxOne Topco S.à r.l., TigerLuxOne Midco S.à r.l. and TigerLuxOne Holdco S.C.A.;

(iii) Permira V G.P. Limited, Permira V G.P. L.P., Permira V I.A.S. L.P., Tiger Group Holdings Limited, TigerLuxOne Topco S.à r.l., TigerLuxOne Midco S.à r.l. and TigerLuxOne Holdco S.C.A.;

(iv) Permira V G.P. Limited, Permira V G.P. L.P., P5 Co-Investment L.P., Tiger Group Holdings Limited, TigerLuxOne Topco S.à r.l., TigerLuxOne Midco S.à r.l. and TigerLuxOne Holdco S.C.A.;

(v) Permira V G.P. Limited, P5 CIS S.à r.l., Tiger Group Holdings Limited, TigerLuxOne Topco S.à r.l., TigerLuxOne Midco S.à r.l. and TigerLuxOne Holdco S.C.A.; and

(vi) Permira Investments Holdings S.à r.l., Permira Investments Management Ltd., PIL Investments LLP, Permira Nominees Limited, Tiger Group Holdings Limited, TigerLuxOne Topco S.à r.l., TigerLuxOne Midco S.à r.l. and TigerLuxOne Holdco S.C.A.

For the Group, related parties within the definition of IAS 24 are persons or entities who have control or a significant influence over the Group. Accordingly, the direct and indirect parent companies of TLO and the members of the management are considered as related parties. Moreover, all portfolio companies held by funds advised by Permira are considered related parties.

Apart from the transactions described below, no material revenue was generated from related party transactions in 2019 and 2018.

Related party transactions

In March 2017, the subsidiary Regit Eins GmbH granted a loan to TigerLuxOne Holdco S.C.A, Luxembourg, with an interest rate of 5.73 % per annum and a term of two years.

In September 2017, the subsidiary TeamViewer GmbH granted a loan to the TigerLuxOne Holdco S.C.A, Luxembourg, with an interest rate of 7 % per annum.

Both loans were offset and thus settled in 2019 by offsetting the loan of TLO.

In 2014, the direct shareholder TLO granted a loan at a principal amount of EUR 350,000 thousand to the subsidiary Regit Eins GmbH with a contractually agreed interest rate of 7 % per annum. The liability reported and the interest expenses recorded, however, are based on a market interest rate that deviates from the contractually agreed interest rate. In 2019, the loan was settled by conversion into equity and by offsetting with the loan granted to TigerLuxOne Holdco S.C.A and by offsetting other receivables due from TLO. Detailed information can be found in note 16 *Financial liabilities*. In addition, the Group provides administration services to TLO on the basis of a service agreement dated 1 January 2015. As from the same date, TLO entered into an intercompany financing framework agreement, with TeamViewer Germany GmbH acting as lead underwriter. Based on this intercompany financing framework agreement, each current item of the statement of financial position (receivable or liability) is subject to interest. The effective interest rate is calculated using the Euro Overnight Index Average (EONIA).

In 2018, the Group entered into several service agreements with Tricor Group to support the business expansions in India, Singapore, Japan and China, providing mainly accounting and HR services. Tricor is a company related to funds advised by Permira. In total, the Group paid service fees in the amount of EUR 226 thousand (2018: EUR 67 thousand) to Tricor Group in 2019; as at 31 December 2019, trade payables in the amount of EUR 22 thousand (2018: EUR 16 thousand) were outstanding.

In 2018 and 2019, the Group purchased consulting services from Stibel Technologies Inc., USA (Bryant Stibel), which is also related to funds advised by Permira. The total of purchased services amounted to EUR 436 thousand in 2019 (2018: EUR 1,770 thousand).

The subsidiary TeamViewer Germany GmbH subscribed to software licences from Magento, Inc., a company held by funds advised by Permira until mid-2018. Overall, the Group paid EUR 23 thousand for these services in 2018. As at 31 December 2018, there were no outstanding liabilities.

All outstanding balances with these related parties are to be settled within two months after the end of the fiscal year. None of the balances is secured. No expense has been recognised in the current year for bad or doubtful debts in respect of amounts owed by related parties.

Transactions involving key management personnel

Remuneration of the Management Board – IFRS figures

In thousands of euro	31 December 2019	31 December 2018
Short-term employee benefits	2,218	2,406
Share-based compensation	17,438	1,800
Total Remuneration	**19,656**	**4,206**

Remuneration of the Management Board – HGB figures – Group (1 January 2019 - 31 December 2019)

	Oliver Steil		Stefan Gaiser		Total	
In thousands of euro	2019	2018	2019	2018	2019	2018
Fixed compensation	788	750	453	375	1,240	1,125
Fringe benefits	22	55	56	52	78	107
Subtotal	**809**	**805**	**509**	**427**	**1,318**	**1,232**
Third-party benefits	24,128	2,400	12,064	1,200	36,192	3,600
Short-term variable compensation	602	748	298	426	900	1,174
Long-term variable compensation	-	-	-	-	-	-
Subtotal variable compensation	**24,730**	**3,148**	**12,362**	**1,626**	**37,092**	**4,774**
Pension expenses	-	-	-	-	-	-
Total remuneration	**25,539**	**3,953**	**12,871**	**2,052**	**38,410**	**6,005**

Further details on share-based compensations granted to key management personnel can be found in note 7 *Personnel expenses*.

There were no other transactions with key management personnel during the reporting period and the year 2018, neither any balances outstanding as at 31 December 2019 and 31 December 2018.

The remuneration paid to the Supervisory Board consisted of short-term benefits amounting to EUR 370 thousand (2018: EUR 178 thousand), with liabilities and provisions amounting to EUR 168 thousand as at 31 December 2019 (2018: EUR 64 thousand). In 2019, no consulting services were provided by a member of the Supervisory Board.

The members of the Supervisory Board are active in the following, comparable control committee:

Board Member	Type and company of mandate
Dr Abraham Peled	‣ Chairman of the board of directors of CyberArmor Ltd. ‣ Chairman of the board of directors of Synamedia Ltd.
Jacob Fonnesbech Aqraou	‣ Member of the board of directors of Telenor ASA ‣ Chairman of the board of directors of Loopia Group ‣ Member of the board of directors of Wallapop SL ‣ Member of the board of directors of Denmark Bridge ‣ Member of the board of directors of Invest Aps ‣ Chairman of the board of directors of PhaseOne ApS ‣ Chairman of the board of directors of CaptureOne A/S
Stefan Dziarski	‣ Member of the supervisory board of P&I Personal & Informatik AG ‣ Member of the advisory board of FlixMobility GmbH
Holger Felgner	‣ Member of the advisory board of MPN Marketplace Networks GmbH
Dr Jörg Rockenhäuser	‣ Member of the advisory board of Schustermann & Borenstein GmbH ‣ Member of the supervisory board of P&I Personal & Informatik AG ‣ Member of the advisory board of Simon Midco Limited/Lowell ‣ Member of the regional advisory board of Mitte of Commerzbank AG
Axel Salzmann	‣ Member of the supervisory board of HUGO BOSS AG

Business partner	Year	Sales to related parties	Purchases from related parties	Interest expenses to related parties	Interest income from related parties	Trade receivables from related parties	Liabilities to related parties	Loans and borrowings from related parties	Loans and borrowings granted to related parties
In thousands of euro									
TigerLux One HoldCo S.C.A.	31 Dec 2019	-	-	-	265	-	-	-	-
	31 Dec 2018	120	-	-	606	-	-	-	9,354
TLO	31 Dec 2019	130	-	7,781	35	301	-	-	-
	31 Dec 2018	1,011	-	14,681	53	1,408	-	155,236	-
GFKL	31 Dec 2019	-	2	-	-	-	-	-	-
	31 Dec 2018	-	4	-	-	-	-	-	-
Magento	31 Dec 2019	-	-	-	-	-	-	-	-
	31 Dec 2018	-	23	-	-	-	-	-	-
Tricor	31 Dec 2019	-	226	-	-	-	22	-	-
	31 Dec 2018	-	67	-	-	-	16	-	-
Bryant Stibel	31 Dec 2019	-	436	-	-	-	-	-	-
	31 Dec 2018	-	1,770	-	-	-	-	-	-

25 Subsequent events

On 4 March 2020, the majority shareholder of TeamViewer AG, TLO, announced the sale of 22 million shares in TeamViewer AG. Following the sale TLO holds 51.5 % of the outstanding shares of the Company and thus remains a majority shareholder. In connection with the share placing, TLO agreed to a lock-up period of 90 days.

26 Commitments and contingencies

As at 31 December 2019, commitments and contingencies existed as shown in the table below.

Commitments and contingencies

In thousands of euro	31 December 2019	31 December 2018
Within one year	13,537	7,281
Between one and five years	1,851	3,104
More than five years	-	-
Total commitments and contingencies	**15,388**	**10,385**

The commitments and contingencies mainly consisted of rental costs for server and router (EUR 10,368 thousand; 2018: EUR 9,507 thousand).

27 Earnings per share

Earnings per share are calculated by dividing the earnings attributable to holders of the parent company's ordinary shares by the weighted average number of ordinary shares outstanding during the year. There were no conversion or option rights outstanding in the year under review and the previous year. Therefore, diluted earnings per share are identical with basic earnings per share.

Earnings per share

In euro	2019	2018
Profit/(loss) for the year	103,858,942	(12,412,905)
Shares issued and outstanding	200,000,000	200,000,000*
Earnings per share (profit/(loss) for the year/no. of shares)	**0.52**	**(0.06)**

* *Earnings per share for 2018 were determined based on the hypothetical assumption that TeamViewer AG had already issued 200 million shares in 2018.*

There were no further transactions involving ordinary shares or potential ordinary shares in the period between the reporting date and the approval of the consolidated financial statements for publication.

28 Professional fees for the independent auditor

The professional fees for the services provided by the Group auditor, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, totalled approximately EUR 533 thousand in the fiscal year 2019 and solely related to audit services for the financial statements.

29 Declaration of conformity with the German Corporate Governance Code

In December 2019 the board of directors and the Supervisory Board of the TeamViewer AG made the declaration required by § 161 of the German Stock Corporation Act (Aktiengesetz, AktG) and published it on the webpage of the company under

https://ir.teamviewer.com/download/companies/teamviewer/CorporateGovernance/Entsprechenserklaerung_2019_EN.pdf

06 RELEASE DATE FOR PUBLICATION

The consolidated financial statements were released for publication on 11 March 2020.

11 March 2020

The Management Board

Oliver Steil

Stefan Gaiser

FURTHER INFORMATION

01 Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the earnings, assets and financial position of the Group, and the Group management report, which is combined with the management report of TeamViewer AG, includes a fair review of the development and performance of the business and the position of the Group, together with a description of the material opportunities and risks associated with the expected development of the Group.

Göppingen, 11 March 2020

The Management Board

Oliver Steil

Stefan Gaiser

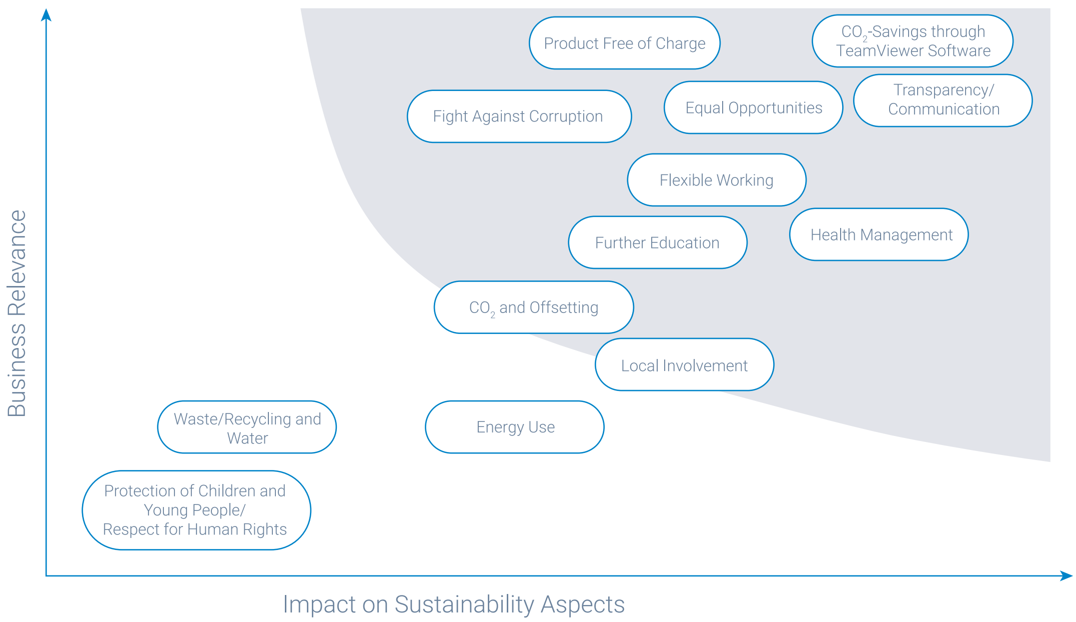
02 Nonfinancial report

Fundamentals

In its nonfinancial report, TeamViewer AG provides information on the respect for human rights, anti-corruption and anti-bribery matters, as well as on environmental and social matters and matters relating to the Company's employees which are necessary to understand the business performance, business results and situation of the Group and to appreciate the impact of business activities on the environment and society. It is based on the Corporate Social Responsibility Directive Implementation Act (CSR-RUG), which came into force on 1 January 2017. In principle, the content of this statement refers to TeamViewer AG and the Group. The nonfinancial report was reviewed by the Supervisory Board of TeamViewer AG.

The business model of the TeamViewer Group is set out in section B.01 *Group fundamentals.*

The TeamViewer Group decided not to apply a framework for the preparation of the nonfinancial report for the 2019 fiscal year because the Management Board is currently evaluating which standard best takes into account the specific situation of the Group for the sustainability reporting. Instead, the nonfinancial report was systematically drawn up in a workshop attended by the communications/corporate social responsibility (CSR), compliance and corporate office departments. Within this workshop, the sustainability aspects relevant to the TeamViewer Group were determined. The business relevance of each topic for the TeamViewer Group and the potential impact on the corresponding sustainability aspects were determined as criteria for defining and assessing the materiality of these aspects. The following figure shows the topics which were classified as material:



Material risks

As part of the above-mentioned analysis pursuant to § 315c in conjunction with § 289c HGB, the TeamViewer Group also evaluated the risks associated with the business activity, the business relations and products and services of the Company that may have a material negative effect on the matters described in the nonfinancial report. For the 2019 fiscal year, no risks with a material negative impact on nonfinancial matters and a high probability of occurrence were identified.

Nonfinancial matters

Respect for human rights

The TeamViewer Group respects international standards protecting human rights and is committed to their observance within its scope of influence. The material elements of the UN Universal Declaration of Human Rights, the European Convention on Human Rights and Fundamental Freedoms, the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work and the UN Global Compact are reflected in the provisions of the TeamViewer Code of Conduct. Strict attention is paid during the selling process to ensure that internationally legitimate trade sanctions against countries, companies or individuals who disrespect human rights are observed and that business relationships with such persons and companies are ruled out.

Adherence to these principles is ensured through the corporate governance structure, primarily through the compliance function. A review takes place through regular reporting by all department and local heads to the chief compliance officer. In addition, the whistle-blower system can be used to report cases of human rights violations anonymously. The careful selection of partners and suppliers ensures that the current standards are followed. The TeamViewer Group is not aware of any cases of human rights violations.

As one of the Groups six core values, TeamViewer places a special emphasis on diversity. TeamViewer is proud of the differences in background of its employees and considers this as an important element of its own success. TeamViewer's employees worldwide come from more than 70 different nations. Equal Opportunities and the prohibition of discrimination are therefore self-evident for us and enshrined in our Code of Conduct as key principles of working together. Observance of these principles is ensured through regular reporting and the compliance function. All new employees furthermore receive training on working with colleagues from different cultures as part of their induction in the first few days.

Fight against corruption and bribery

The TeamViewer Group, as part of its business activities, is committed to observing the applicable laws, directives and policies to combat corruption. Unfair conduct such as corruption or bribery is not tolerated under any circumstances and has no place in business life. One chapter of the TeamViewer Code of Conduct is dedicated to the different aspects of fighting against corruption to provide all employees with a guideline for acting with integrity and transparency. Additionally, mandatory annual online training provides the basis for acting in accordance with the law and the principles set out in the Code of Conduct. This training will be expanded further in 2020.

A review of compliance with these principles is carried out through regular reporting by all department and local heads to the chief compliance officer and through additional audits carried out by the compliance department. Through the whistle-blower system, violations of the anti-corruption and Code of Conduct provisions can be reported anonymously. In addition to this, all employees can use further informal reporting channels, which are highlighted for them on a regular basis.

As a company with global operations, there is a general risk that the TeamViewer Group will come into contact with the issue of corruption and bribery as part of its usual business relationships. In particular, cultural aspects of some of the Company's target markets require the special attention of the acting employees and a careful review of the underlying conditions by compliance.

Regular in-depth training, transparency in business processes and close, open interactions with compliance are the chief elements designed to ensure that key anti-corruption principles are observed.

The TeamViewer Group is not aware of any cases where anti-corruption provisions were violated.

Environmental matters

Use of the TeamViewer software reduces the need for physical on-site presence and thus potentially the need to travel. Through the multifaceted and worldwide use of its software, TeamViewer thus has a positive effect on environmental and climate issues. The group makes its connectivity software available to private users free of charge, allowing people, for example, to help their family members and friends resolve computer problems without the need for physical travel. The same applies in a commercial context. Technical maintenance work, customer support and the monitoring of IT equipment, industrial machinery or other devices connected to the Internet is possible in most cases without requiring the physical presence of an expert and can be done remotely. The TeamViewer online meeting function, where video conferences/conference calls including screen sharing replace the need for a physical presence at meetings, is also worth mentioning in this context. The Group is not aware that a quantitative calculation of travel kilometres or CO_2 emissions saved as a result of its software has been attempted; it estimates, however, that the savings should be extensive given that around 320 million devices were active in the 2019 fiscal year.

TeamViewer uses its own software to minimise travel activities for cross-departmental and cross-site working. The remaining travel and office activities of employees do, however, cause CO_2 emissions. The emissions caused by TeamViewer's more than 800 employees at its various global sites every year are offset by the "Plant-for-the-Planet" project, a not-for-profit organisation which plants the number of trees required to bind these CO_2 emissions in the Mexican rain forest. In the 2019 fiscal year, 3,600 tonnes of CO_2 were offset by planting around 18,000 trees, acquiring CO_2 certificates and investing in providing education on sustainability issues.

In mid-2020, TeamViewer will move into its new corporate head office in Göppingen. Basic issues relating to energy efficiency, waste avoidance and environmental matters will be taken into account to a greater extent in the new building.

Social involvement

A key aspect of the Group's community involvement is the fact that TeamViewer makes its software available to private users worldwide free of charge, with next to no restrictions to functionality. TeamViewer thereby supports the "democratisation process" within the software industry by making connectivity software and future technologies such as augmented reality and IoT available to the general public in a simple way and free of charge. Everyone who needs help or wishes to support others at no cost can use the TeamViewer software for their personal use.

At a local level, TeamViewer supports municipal political and economic projects and donates to social initiatives. This is the case, in particular, at its head office in Göppingen, where TeamViewer is one of the biggest regional employers with more than 400 employees, thus bearing considerable social responsibility. In 2019, TeamViewer reaffirmed its commitment to Göppingen, and it will move to its new headquarter in Göppingen's town centre in mid-2020. The continued company growth will not only safeguard existing jobs but will lead to the creation of new employment. Local charitable projects are also supported at the Company's other sites, e.g. in Largo, Florida (USA).

Since November 2019, TeamViewer has been building a new development centre in Ioannina in Greece, where 150-200 employees are scheduled to work in the medium term. TeamViewer's intention is primarily to recruit highly qualified software engineers for its innovation activities. One side effect of this initiative is that TeamViewer thereby helps strengthen a formerly structurally weak region, Epirus, by ensuring that Greek talent which left during the financial crisis returns to its home country and is able to find attractive employment in the technology sector.

Employee matters

For a software company, its employees and their competencies and experience are among the key success factors. This also applies to TeamViewer. To be successful in the dynamic sector setting over the long-term, TeamViewer attaches high importance to the development of its employees and to offering them a modern, first-rate work environment. The remuneration system was already fundamentally revised in the 2018 fiscal year. In addition to increasing the basic salaries and introducing additional annual leave days, a bonus programme linked to the achievement of company-wide targets was introduced. A large number of other benefits such as subsidised travel on local public transport and the participation in discount programmes complement these offerings. The Company also offers a large number of activities with regard to flexible working arrangements, the promotion of employee health, further education and communication in order to retain employees and increase their job satisfaction.

Communication

TeamViewer promotes a corporate culture characterised by transparency, global collaboration and collegial interaction. All employees are on first-name terms, the doors are mostly open, hierarchies are deliberately flat, and every employee is able to speak directly to the Management Board for any matters.

Regular employee meetings, e-mails and other internal communication measures ensure that communication is transparent, and employees are kept up to date with information about the Company and its development. Cross-department project work and employee events such as company celebrations or lunch with the management team ensure an effective exchange between all teams.

To review the success of these measures, TeamViewer conducts a full survey of its employees once a year and a shorter survey several times a year. The surveys analyse key topics such as the corporate strategy and the collaboration within teams.

Further education

TeamViewer makes the Learning Center, a globally usable online training tool, available to its employees. The Learning Center offers a large number of training seminars on issues such as compliance, data protection, IT security and new TeamViewer products. In addition, voluntary "Lunch&Learn" sessions are conducted on various topics, and specific training offers for various departments are available. The Company also supports participation in seminars, conferences and networking events provided by third parties.

Another important topic within the Group is on-the-job learning, as employees of different hierarchical levels and all departments at TeamViewer can take on responsibility in project organisations. Employees furthermore have the option to be dispatched to a different TeamViewer site for a fixed period in order to gain international experience.

TeamViewer cooperates with a number of universities and higher education institutions and regularly invites students to visit the company to enable them to gain an insight into the career opportunities available in a technology company. TeamViewer offers a large number of interns and students on placement a starting point in the professional world and also sponsors bachelor's and master's degrees.

Promotion of health

The health of its employees is a key concern of TeamViewer. The Company not only provides drinks and fruit free of charge to promote healthy eating, it also has a range of physical activity offers (yoga, running club, football, volleyball, squash). It holds an annual health day featuring a comprehensive programme on issues surrounding nutrition, exercise, relaxation and the prevention of health problems caused, for example, by improper workplace sitting. TeamViewer also cooperates with a number of fitness studios and has negotiated reduced rates for its employees.

Working arrangements

As a provider of connectivity software, TeamViewer places particular importance on flexible working arrangements. Use of the TeamViewer online meeting functions allows efficient collaboration across continents, including for colleagues working from home or on business trips.

TeamViewer offers all its employees the opportunity to work from home on a set day once a week, provided that no operational reasons such as IT security prevent this. Generally speaking, TeamViewer supports flexible working hours to ensure that employees are better able to balance their private lives with their work.

TeamViewer also supports employees wishing to work part-time. For example, it provides the option to reduce working hours to 80 % while receiving 85 % of the salary.

03 Corporate governance report and corporate governance statement

Basic approach

As a Group with global operations, TeamViewer attaches great importance to good corporate governance. Transparent and responsible company management, a collaboration between the Management Board and Supervisory Board in a spirit of trust and open capital market communications are understood by TeamViewer to be key elements of good governance. TeamViewer AG is guided by the standards of the GCGC.

In the following, the Management Board and Supervisory Board of TeamViewer AG report jointly on corporate governance at TeamViewer in accordance with section 3.10 of the GCGC as amended on 7 February 2017. Due to the close substantial overlap, the Management Board and Supervisory Board submit the corporate governance report together with the corporate governance statement pursuant to § 315 d and § 289 et seq. HGB, the latter being part of the combined management report.

Management Board

Composition

The Management Board of TeamViewer AG comprised two members as at 31 December 2019. The two current members of the Management Board are appointed for a three-year period of office running until 18 August 2022. According to the Articles of Association of TeamViewer AG, the Management Board is appointed and removed by the Supervisory Board.

The Supervisory Board is of the opinion that diversity aspects also play an important role for the successful development of the Company in addition to the professional skills and experience of the members of the Management Board. In line with its diversity concept, the Supervisory Board is therefore seeking to ensure that the Management Board consists of members who complement each other in terms of their personal and professional background, their experience and specialist knowledge. All of which will enable the Management Board, in its entirety, to call on as wide as possible a range of experiences, knowledge and abilities.

Diversity within the Management Board is reflected in the members' individual educational and professional careers and the broad spectrum of experience each possesses. At the same time, however, each Management Board member must be able to perform the tasks of a Management Board member in a listed software company with international operations and to preserve the Company's public reputation. Furthermore, the members of the Management Board must possess in-depth knowledge of the Company's business and market environment and are usually expected to have several years of management experience. In view of the Company's business model, at least one member of the Management Board should also have knowledge of the following areas:

- Strategy and strategic management
- Technology and SaaS companies, including the relevant markets and customer needs
- Operations and technology, including IT and digitalisation
- Corporate governance
- Human resource management and development
- Finance, including financing, accounting, controlling, risk management and internal control procedures

Given the international focus of the Company's activities, at least some members of the Management Board should possess noteworthy international experience. Regarding the Company's objectives for the target figure for women on the Management Board, please see the explanations in Chapter 4 *Target figures for female representation in executive positions*. The age limit for members of the Management Board is 65 years. A heterogeneous age structure is aimed for but is subordinate to the other criteria mentioned.

Tasks

The Management Board has sole responsibility for managing the Company's operations. The Management Board is guided by the Company's interests and committed to ensuring the growth of its sustained enterprise value. The Management Board develops the Company's strategic direction, coordinates it with the Supervisory Board at regular intervals and ensures its implementation. The basic principles guiding business management, the collaboration between the Management Board members and the supply of information to the Supervisory Board are set out in rules of procedure for the Management Board. The Management Board manages the Company's operations with the standard of care of a prudent and diligent manager in accordance with the law, the Articles of Association and the rules of procedure. The Management Board cooperates with the Company's other bodies in a spirit of collegiality and trust, for the benefit of the Company.

The members of the Management Board are jointly responsible for the management of the Company's business. Notwithstanding this, every member of the Management Board manages the business area allocated to them by the schedule of responsibilities independently and is solely responsible for them. The members of the Management Board work together as colleagues and advise and brief each other on a continual basis. The Management Board meets regularly, usually every two weeks. The Management Board's decisions must be unanimous.

The Management Board collaborates closely with the Supervisory Board for the benefit of the Company. It is the joint task of the Management Board and the Supervisory Board to ensure that adequate information is supplied to the Supervisory Board. As part of its reporting obligations pursuant to § 90 AktG, the Management Board provides regular, timely and comprehensive information on all issues of relevance to the Company and the group, particularly in relation to strategy, planning, business development, the level of risk, risk management and compliance. It addresses deviations of business performance from the plans and targets made and stipulates the reasons for them. Documents of relevance for the decision-making process are forwarded to the Supervisory Board members in good time ahead of the meeting. The Management Board requires the Supervisory Board's approval for specific transactions set out in the rules of procedure.

Conflicts of interest

Members of the Management Board are committed to the interests of the Company. Their decision-making must not be guided by their own personal interests. While working for the Company, they are subject to a comprehensive non-competition clause and must not use business opportunities available to the Company or one of its subsidiaries for their personal gain. The members of the Management Board must not demand remuneration or other benefits for themselves or other persons from third parties or grant unjustifiable benefits to third parties. Every member of the Management Board must disclose conflicts of interest immediately to the Supervisory Board and inform the other members of the Management Board accordingly. All transactions between the Company or its subsidiaries, on the one hand, and the Management Board members as well as any persons related to them or undertakings personally related to them, on the other, must conform to the standards applicable to transactions with non-related third parties. Any secondary gainful activities, especially Supervisory

Board mandates outside the Company, by members of the Management Board require the Supervisory Board’s approval.

Supervisory Board

Composition

In accordance with the Articles of Association, the Supervisory Board of TeamViewer AG consists of six members elected by the General Meeting. The current Supervisory Board members were appointed as part of the Company’s transformation and change in legal form for the period ending with the Annual General Meeting in 2023.

The Supervisory Board of TeamViewer AG has set itself targets regarding its composition and has drafted a profile of skills and expertise and a diversity concept for the entire Board. The members of the Supervisory Board must be able to fulfil their tasks as Supervisory Board members of a software company with international operations on the basis of their knowledge, abilities and experience. They must generally comply with the maximum number of permitted mandates stipulated in section 5.4.5 second sentence GCGC and have sufficient time available to discharge their duties with due care. A Supervisory Board member should not have reached the age of 75 at the time of election and should not usually be part of the Supervisory Board for more than ten years.

With regard to the composition of the full Board, the Supervisory Board seeks to ensure that its members complement each other in terms of their personal and professional background, their experience and specialist knowledge. All of which will enable the Supervisory Board as a full body to call on as wide as possible a range of experiences and specialist knowledge. The composition of the Supervisory Board must, at all times, be such that its members combined possess the knowledge, abilities and professional experience required for the due and proper exercise of the tasks of the Supervisory Board body. Moreover, in accordance with § 100 (5) AktG the members of the Supervisory Board combined must be familiar with the sector in which TeamViewer AG operates, with at least one member possessing expert knowledge in accounting or the audit of financial statements.

Profile of skills and expertise
The Supervisory Board members combined must cover all the areas of expertise it requires to perform its tasks effectively. This includes, in particular, in-depth knowledge of, and experience in the:

- Management of a company with international operations (ideally in the areas of software, SaaS or technology)
- Supervisory positions in Germany and/or abroad
- Areas of strategy and innovation
- Corporate development of a company with an international footprint
- Accounting, financial reporting, controlling/risk management and internal control procedures
- Corporate governance/compliance

Independence
The Supervisory Board must take the ownership structure appropriately into account. The Supervisory Board believes that the Supervisory Board should include at least two shareholder representatives who are independent members according to section 5.4.2 GCGC. The Supervisory Board considers Mr Salzmann, Mr Aqraou and Mr Felgner to be independent members.

Diversity
The Supervisory Board should furthermore reflect a balanced degree of diversity, especially with regard to the international background of its members, their professional experience, expertise and female representation. To take into account the Company's international character the Supervisory Board should, as a general rule, include at least two non-German nationals with international management or entrepreneurial experience. Regarding the Company's objectives for the target figure for women on the Supervisory Board, please see the explanations in chapter 4 *"Target figures for female representation in executive positions"*.

The Supervisory Board is convinced that this kind of composition ensures independent and efficient advice, monitoring and supervision of the Management Board. Future nomination proposals by the Supervisory Board to the Annual General Meeting should therefore take into account the stated goals with regard to its composition while at the same time contributing to the fulfilment of the profile of skills and expertise and to the achievement of the targets of the diversity concept.

Tasks

The Supervisory Board regularly advises the Management Board on the management of the Company and monitors its activities. The Board must be involved in decisions which are of fundamental importance to the Company.

In a decision dated 19 August 2019, the Supervisory Board in accordance with § 11 (1) of the Company's Articles of Association adopted its own rules of procedure. The Supervisory Board conducts its business pursuant to statutory provisions, the Articles of Association and the rules of procedure. It collaborates closely and in a spirit of trust with the Company's other bodies, especially the Management Board, for the benefit of the Company. In the rules of procedure for the Management Board, the Supervisory Board has defined the transactions requiring the Supervisory Board's approval.

In accordance with its rules of procedure the Supervisory Board must hold at least two meetings every calendar year. Further meetings are to be called if such are required in the Company's interest or if a Supervisory Board or Management Board member applies for a meeting to be convened, stating the purpose and reasons for such a meeting.

Conflicts of interest

The Supervisory Board members are solely committed to the best interests of the Company. They must not pursue personal interests in their decision-making, nor must they use business opportunities which are offered to the Company or one of its subsidiaries for themselves or third parties. Every Supervisory Board member must disclose conflicts of interest to the Supervisory Board, particularly those which may be the result of an advisory function or membership of a body in respect of customers, suppliers, lenders or other business partners. In its report to the Annual General Meeting the Supervisory Board provides information on conflicts of interest that have arisen and how they were addressed. Material conflicts of interest involving a Supervisory Board member that are not merely temporary should result in the termination of that member's mandate. Supervisory Board members must not be members of bodies of, or perform advisory tasks at, material competitors of the Company. Advisory agreements and other contracts for services and work concluded by a Supervisory Board member with the Company require the Supervisory Board's approval.

Committees

To enable the Supervisory Board to perform its tasks efficiently, it has formed an Audit Committee and a Nomination and Remuneration Committee from among its members. Each of these committees has at least three members. The Supervisory Board must be informed regularly of the work and outcomes of discussions on the committees.

Audit Committee
The Audit Committee is tasked, in particular, with the following matters: It prepares the Supervisory Board's decision on the approval of the annual financial statements and consolidated financial statements and monitors the financial reporting, the financial reporting process and the effectiveness of the internal control system, the risk management system and the internal audit system and deals with compliance issues.

The Audit Committee furthermore prepares the Supervisory Board's decision regarding the recommendation for the selection of the independent auditors and monitors the independence of the auditors of the financial statements. It also reviews the additional services provided by the independent auditors, determines the focus of audits, agrees the auditor's fees and issues the audit mandate to the independent auditors. The Audit Committee moreover discusses the half-year financial reports and quarterly statements with the Management Board prior to their publication. The Chairman of the Audit Committee, Axel Salzmann, is independent and has special knowledge and experience in applying accounting principles and in internal control procedures.

Please see the explanations in the report of the Supervisory Board for information on the composition of the Audit Committee and its meetings during the reporting year.

Nomination and Remuneration Committee
The Nomination and Remuneration Committee prepares the proposals of the Supervisory Board to the Annual General Meeting with regard to the election of Supervisory Board members, examines all aspects relating to remuneration and the terms of employment for the Management Board and issues recommendations to the Supervisory Board with regard to the signing of, amendments to and termination of employment contracts for this group of employees. If required, it will commission its own independent review of the remuneration principles and of the remuneration packages paid to the Management Board members. It presents an assessment of the Management Board's performance and issues a recommendation to the Supervisory Board for the terms of employment and remuneration of the Management Board.

Please see the explanations in the report of the Supervisory Board for information on the composition of the Nomination and Remuneration Committee and its meetings during the reporting year.

Efficiency review

In accordance with section 5.6 GCGC, the Supervisory Board reviews the efficiency of its activities regularly, at least every two years. In addition to qualitative criteria – to be determined by the Supervisory Board – the efficiency review looks at the procedures used within the Supervisory Board, the flow of information between the committees and the full Board and the timely and the content-wise adequate supply of information to the Supervisory Board.

Additional supervisory board mandates of members of the Supervisory Board

The table below sets out the additional mandates on supervisory boards and comparable supervisory bodies currently held by the Supervisory Board members of TeamViewer AG.

	Mandates in accordance with § 125 (1) fifth sentence AktG
Dr Abraham Peled	‣ Chairman of the board of directors of CyberArmor Ltd. ‣ Chairman of the board of directors of Synamedia Ltd.
Jacob Fonnesbech Aqraou	‣ Member of the board of directors of Telenor ASA ‣ Chairman of the board of directors of Loopia Group ‣ Member of the board of directors of Wallapop SL ‣ Member of the board of directors of Denmark Bridge ‣ Member of the board of directors of Aqraou Invest ApS ‣ Chairman of the board of directors of PhaseOne Group ApS ‣ Chairman of the board of directors of CaptureOne A/S
Stefan Dziarski	‣ Member of the supervisory board of P&I Personal & Informatik AG ‣ Member of the advisory board of FlixMobility GmbH
Holger Felgner	‣ Member of the advisory board of MPN Marketplace Networks GmbH
Dr Jörg Rockenhäuser	‣ Member of the advisory board of Schustermann & Borenstein GmbH ‣ Member of the supervisory board of P&I Personal & Informatik AG ‣ Member of the advisory board of Simon Midco Limited/Lowell ‣ Member of the regional advisory committee Mitte of Commerzbank AG
Axel Salzmann	‣ Member of the supervisory board of HUGO BOSS AG

Target figures for female representation in executive positions

The Company's Supervisory Board and Management Board are conscious of the importance of diversity, notably the particular importance of ensuring appropriate female representation in monitoring and executive positions. Accordingly, the Supervisory Board and Management Board seek to increase female representation on the Supervisory Board, the Management Board and on the first executive level below the Management Board[45] in the mid-term. The target figures for female representation on the Supervisory Board, the Management Board and the first executive level below the Management Board have been determined as follows:

	Target figure	Target period	At 31 December 2019
Supervisory Board	33 %	By 31 December 2023	0 %
Management Board	25 %	By 31 December 2023	0 %
First executive level below the Management Board	33 %	By 31 December 2023	50 %

Compliance

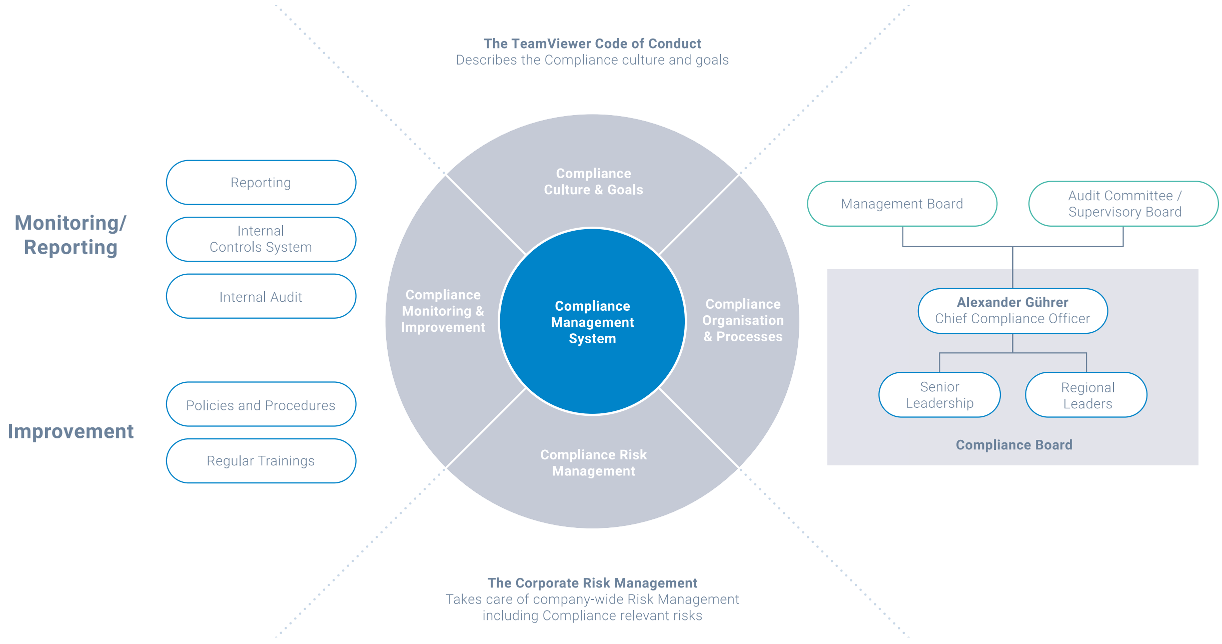
Compliance management within the TeamViewer Group ensures that all applicable provisions and laws are complied with.

Compliance Management System

As a key element of corporate governance, the TeamViewer Group extended its compliance structure in the past fiscal year and converted it into an integrated Compliance Management System. As part of the Code of Conduct, which describes the Group's compliance culture, the Compliance Management System ensures that the regular business processes comply with all applicable statutory provisions and regulations.

A whistle-blower system is in place, enabling all employees to anonymously report compliance concerns or violations. Further reporting channels, including informal avenues, are available and have been communicated.

45 There is no second executive level below the Management Board



Compliance Management System of the TeamViewer Group

Compliance organisation

The Group's compliance organisation has global competence and ensures the review of and adherence to compliance processes together with any improvements, if applicable, as well as evaluating and mitigating compliance risks. The main body of the compliance organisation is the Compliance Board, which reports to the Management Board and the Audit Committee of the Supervisory Board under the direction of the Chief Compliance Officer.

Code of Conduct

TeamViewer is aware of the economic and social responsibility it has towards its business partners, investors and employees. To formulate this commitment and provide all employees with a binding framework for ethical conduct in a business environment TeamViewer has introduced a Code of Conduct. It describes the goal, communicated by the Management Board, that all decision-making processes should be guided by integrity, transparency and compliance with applicable laws and provisions.

The elements of the Code of Conduct are based on applicable international standards and provisions. They essentially comprise regulations on how employees should treat each other and business partners, how to combat corruption as well as outlining their responsibilities with regard to security, confidentiality and the environment.

The Code of Conduct is freely available via the Company's website, and all employees are given annual training to familiarise themselves with its content. It also serves as a framework for further important internal policies and procedural guidelines, including in the areas of combating corruption, data security and IT security.

Working together with the Compliance Board, the Chief Compliance Officer verifies that the provisions of the Code of Conduct are up to date and applicable, as well as acting as the central contact for all compliance-related matters.

Risk management, Internal Control System and Internal Audit

The Internal Control System is an important element of the Group's corporate governance designed to safeguard full and correct financial and other reporting. It is based on the risks outlined in the Risk Management System and ensures that the financial risks are mitigated by means of relevant controls. In light of the IPO TeamViewer reviewed the Internal Control System to clarify whether the Internal Control System corresponds to that of a listed company. Additions to the Internal Control System were made, and the process is due to be completed in the course of 2020.

To achieve an appropriate and holistic corporate governance structure including risk management, an Internal Control System and compliance management, TeamViewer also started to introduce an Internal Audit function at the end of the past fiscal year.

Shareholders and Annual General Meeting

At the Annual General Meeting of TeamViewer AG, shareholders are able to exercise their rights, including their voting right. Every no-par value share grants one vote at the Annual General Meeting. The chairman of the Supervisory Board chairs the Annual General Meeting. The General Meeting passes resolutions by a simple majority of votes cast unless the Articles of Association or the law provide for a different majority or different requirements. The Annual General Meeting decides on the appropriation of distributable profit, the discharge of the members of the Management Board and Supervisory Board, the election of Supervisory Board members, amendments to the Articles of Association, the issue of new shares, convertible bonds and warrant-linked bonds and the authorisation to acquire own shares, the approval of the remuneration system, the selection of the independent auditors and, in the cases provided for in law, the approval of the annual financial statements. The next Annual General Meeting will be held on 29 May 2020 in Stuttgart. The invitation to the Annual General Meeting together with the annual report, the agenda and additional reports and documents required by law will be published on the website of TeamViewer AG on the day the meeting is convened. TeamViewer AG supports the shareholders in the personal assertion of their rights and in the representation of voting rights and appoints a representative for the exercise of voting rights which is bound by instructions.

Financial reporting and audit of financial statements

TeamViewer AG prepares its consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB) and the interpretations of the IFRS Interpretation Committee (IFRS IC) as applicable in the EU, and additionally the applicable commercial and stock corporation regulations pursuant to § 315e HGB. The annual financial statements of TeamViewer AG are prepared in accordance with the principles of the HGB. The annual financial statements of TeamViewer AG, the consolidated financial statements and the Group management report which is combined with the Company's management report are drawn up by the Management Board and audited by the independent auditors and the Supervisory Board. The independent auditors take part in the deliberations of the Audit Committee and the Supervisory Board about the annual financial statements and consolidated financial statements, report on the audit process and its results and are at hand to answer questions and provide additional information. The independent auditors for the fiscal year 2019 are Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft (EY), Stuttgart.

Capital market communication

TeamViewer publishes all information with capital market relevance in a timely manner on the Company's website at

https://ir.teamviewer.com/websites/teamviewer/English/1/investor-relations.html

in German and English. Every quarter, TeamViewer AG reports on the business development and results of operations, net assets and financial position of the Group in its quarterly statements, half-year financial reports and annual report. It also publishes information through ad hoc and press releases. TeamViewer AG moreover provides information to investors at roadshows and in individual conversations while also being represented at various investor conferences. In addition, the Management Board is available at the Annual General Meeting to answer investors' questions.

Directors' dealings

Directors' dealings reports in accordance with Article 19 of the EU Market Abuse Regulation (MAR) are published immediately online at

https://ir.teamviewer.com/websites/teamviewer/English/4200/director_s-dealings.html.

In the fiscal year 2019, one transaction requiring reporting pursuant to Article 19 MAR was reported to TeamViewer AG. This transaction related to the purchase of 76.190 shares of TeamViewer AG by Supervisory Board member Jacob Aqraou at the time of the IPO for the price of EUR 1,999,987.50

Declaration by the Management Board and the Supervisory Board of TeamViewer AG regarding the recommendations of the Government Commission German Corporate Governance Code pursuant to Section 161 German Stock Corporation Act (Aktiengesetz)

The Management Board and the Supervisory Board of TeamViewer AG declare that TeamViewer AG has acted since its going public on 25 September 2019 and will act in the future in conformity with the recommendations of the German Corporate Governance Code in its version of 7 February 2017, published by the Federal Ministry of Justice and Consumer Protection on 24 April 2017, in the official section of the Federal Gazette (Bundesanzeiger) (hereinafter the "Code"), in each case with the following exceptions: Section 3.8 para. 3 of the Code: According to the Code's recommendation, the D&O insurance covering the members of a supervisory board shall provide for a deductible in the amount of 10% of the loss up to at least 150% of the fixed annual remuneration of the respective member of the supervisory board. TeamViewer AG's current D&O insurance for the members of the Supervisory Board does not include a deductible. The Management Board and the Supervisory Board are of the opinion that a deductible for the members of the Supervisory Board does not have any influence on the awareness of responsibility and loyalty of the members of the Supervisory Board with regard to their tasks and functions. Moreover, it would reduce TeamViewer AG's ability to compete for competent and qualified members of the Supervisory Board. With regard to section 5.4.1 para. 2 sent. 1 of the Code, the Management Board and the Supervisory Board state the following: Section 5.4.1 para. 2 sent. 1 of the Code recommends that the Supervisory Board shall determine concrete objectives regarding its composition and shall prepare a profile of skills and expertise for the entire board. As a result of the repositioning of the company with the going public, the Supervisory Board prepared since the going public a corresponding profile of skills and expertise as well as concrete objectives for its composition and finally passed a resolution by way of written circulation on 22 November 2019. As a precautionary measure, the Management Board and the Supervisory Board therefore declare a deviation from Section 5.4.1 para. 2 sent. 1 of the Code until the time of the resolution. Since then, the recommendation has been complied with.

Göppingen, December 2019

The Management Board

Oliver Steil   Stefan Gaiser

On behalf of the Supervisory Board

Dr. Abraham Peled

04 Independent auditor’s report

To TeamViewer AG

Report on the audit of the consolidated financial statements and of the combined group management report

Opinions

We have audited the consolidated financial statements of TeamViewer AG, Göppingen, and its subsidiaries (the Group), which comprise the consolidated statement of comprehensive income for the fiscal year from 1 January to 31 December 2019, the consolidated statement of financial position as at 31 December 2019, the consolidated statement of cash flows and the consolidated statement of changes in equity for the fiscal year from 1 January to 31 December 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of TeamViewer AG for the fiscal year from 1 January to 31 December 2019, which has been combined with the management report of the Company for the fiscal year from 3 July to 31 December 2019. In accordance with the German legal requirements, we have not audited the content of the statement on corporate governance, which is published on a website stated in the group management report and is part of the group management report, pursuant to Sec. 315d HGB [“Handelsgesetzbuch”: German Commercial Code].

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as at 31 December 2019, and of its financial performance for the fiscal year from 1 January to 31 December 2019, and
- the accompanying group management report, which has been combined with the management report of the Company, as a whole provides an appropriate view of the Group’s position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the group management report does not cover the content of the statement on corporate governance referred to above.

Pursuant to Sec. 322 (3) Sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Sec. 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as “EU Audit Regulation”) and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the “Auditor’s responsibilities for the audit of the consolidated financial statements and of the group management report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Art. 10 (2) f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Art. 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the group management report.

Key audit matters in the audit of the consolidated financial statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the fiscal year from 1 January to 31 December 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon; we do not provide a separate opinion on these matters.

Below, we describe what we consider to be the key audit matters:

1. Impairment testing of goodwill

Reasons why the matter was determined to be a key audit matter

Goodwill recognized in the consolidated financial statements of TeamViewer AG is subject to an annual impairment test pursuant to IAS 36.

The result of the impairment test depends chiefly on the estimated future cash inflows as well as the discount rate used and is, therefore, subject to judgment. The impairment test is therefore associated with exceptional uncertainty and judgment.

Auditor's response

We discussed the method used to carry out the impairment test with the Company's executive directors and assessed its compliance with the requirements of IAS 36. We analyzed the derivation of the discount rate and its individual components with the involvement of our internal valuation specialists, in particular by analyzing the peer group, comparing market data with external evidence and verifying the calculation method. We examined the clerical accuracy of the valuation model on a sample basis.

We checked on a test basis that the planning assumptions used in the forecast are in line with the business plan of the Company created by the Executive Board. In addition, we verified the growth rates for income and expenses used to roll forward the budget by comparing market data. We also analyzed the forecast using adherence to the budget in the past, compared this to the prior-year forecast, discussed this with the Company's executive directors and obtained evidence substantiating the individual assumptions of the forecast.

We analyzed the sensitivity analyses prepared by the Company with a view to consideration of the significant assumptions, in order to estimate any potential impairment risk associated with a change in one of the significant assumptions used in the valuation.

Our audit procedures did not lead to any reservations concerning the recognition of goodwill.

Reference to related disclosures

The Company's disclosures on the impairment of goodwill, the accounting policies applied and the associated judgments are included in the notes to the consolidated financial statements in the sections "Basis of preparation", "Significant accounting policies" and "Goodwill and other intangible assets".

2. Recognition of share-based payments

Reasons why the matter was determined to be a key audit matter

Prior to the IPO in fiscal year 2019, the parent company of TeamViewer AG, TigerLuxOne S. à r. l., Luxembourg, launched various share-based payment programs for TeamViewer AG employees. These are recognized as equity-settled share-based payments in the consolidated financial statements of TeamViewer AG.

The valuation and determination of the period of when to recognize these share-based payment programs as an expense depend on various parameters, such as the estimation of the business value, the volatility of the business value, the risk-free interest rate, the fluctuation expectations or the expected vesting period.

The recognition of share-based payments is therefore associated with exceptional uncertainty and judgment.

Auditor's response

We obtained an understanding of the programs using the underlying agreements in order to assess whether their accounting treatment was in accordance with the requirements of IFRS 2.

In addition, we analyzed the design and operation of the calculation models used with the involvement of our internal specialists and verified the clerical accuracy of the models. We assessed the executive directors' estimation of the business value by taking into account the spreads for the share price used by the Company during the IPO. We reviewed the plausibility of the other parameters using market data or past experience. We also made inquiries of the Company's executive directors and Supervisory Board on their estimation of non-market-based parameters, such as the expected vesting period. We examined the underlying share-based payment agreements on a sample basis.

Our audit procedures did not lead to any reservations concerning the recognition of share-based payments.

Reference to related disclosures

The Company's disclosures on the recognition of share-based payments are included in the notes to the consolidated financial statements in the sections "Basis of preparation", "Significant accounting policies" and "Personnel expenses".

3. Valuation of deferred tax assets on interest carryforwards

Reasons why the matter was determined to be a key audit matter

The deferred tax assets recognized in the consolidated financial statements of TeamViewer AG primarily relate to interest carryforwards in Germany. The valuation of deferred tax assets on interest carryforwards mainly depends on the estimation of the projected future taxable income and the projected future interest result. The valuation is therefore associated with exceptional uncertainty and judgment.

Auditor’s response

We discussed the method used to measure the deferred tax assets on interest carryforwards with the Company’s executive directors and assessed its compliance with the rules in IAS 12.

We analyzed the executive directors’ assumptions on the forecast of the projected future taxable income and the projected future interest result depending on the planned repayment of financial liabilities and checked on a test basis that these are in line with the internal forecast. In particular, we verified the reconciliation of the planned earnings with the projected taxable income with the support of internal tax specialists. We also analyzed the tax planning assumptions against the background of the taxable income generated in the past.

Our audit procedures did not lead to any reservations concerning the valuation of deferred tax assets on interest carryforwards.

Reference to related disclosures

The Company’s disclosures on the accounting policies applied and the related disclosures on the Executive Board’s discretion with regard to the valuation of deferred tax assets on interest carryforwards are included in the notes to the consolidated financial statements in the sections “Basis of preparation”, “Significant accounting policies” and “Income taxes”.

Other information

The Supervisory Board is responsible for the report of the Supervisory Board. In all other respects, the executive directors are responsible for the other information. The other information comprises the statement on corporate governance, which is part of the group management report. The other information also comprises the components designated for the annual report, of which we received a version prior to issuing this auditor’s report, in particular, the report of the Supervisory Board, the letter of the Executive Board, the corporate governance report, the responsibility statement and the separate combined non-financial report. It does not include the consolidated financial statements, the disclosures in the group management report included in our audit or our related auditor’s report.

Our opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the executive directors and the Supervisory Board for the consolidated financial statements and the group management report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB, and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's responsibilities for the audit of the consolidated financial statements and of the group management report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sec. 317 HGB and the EU Audit Regulation and in compliance with German Generally

Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Further information pursuant to Art. 10 of the EU Audit Regulation
We were elected as group auditor by the shareholder meeting on 19 August 2019. We were engaged by the Supervisory Board on 10 September 2019. We have been the group auditor of TeamViewer AG since fiscal year 2019.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Art. 11 of the EU Audit Regulation (long-form audit report).

German Public Auditor responsible for the engagement
The German Public Auditor responsible for the engagement is Mr. Steffen Maurer."

Stuttgart, 11 March 2020

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Koch	**Maurer**
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

05 List of Abbreviations

AG	Stock corporation, Aktiengesellschaft
AktG	Stock Corporation Act, Aktiengesetz
AMERICAS	North, Central and South America
APAC	Asia-Pacific
ARUG II	German Act Implementing the Second Shareholder Rights Directive, Gesetz zur Umsetzung der zweiten Aktionärsrichtlinie
BGB	German Civil Code
CAGR	Compound annual growth rate
CGU	Cash-generating unit
Code	German Corporate Governance Code in its version of 7 February 2017, published by the Federal Ministry of Justice and Consumer Protection on 24 April 2017, in the official section of the Federal Gazette, Bundesanzeiger
COSO	Committee of Sponsoring Organizations of the Treadway Commission
CRM	Customer Relationship Management
CSR	Corporate Social Responsibility
CSR-RUG	Corporate Social Responsibility Directive Implementation Act
ECL	Expected credit loss
EMEA	Europe, Middle East and Africa
EONIA	Euro Overnight Index Average
EPP	Employee Participation Programme
ERP	Enterprise Resource Planning
EU	European Union
FTE	Full-time equivalents
G&A	General and administrative
GCGC	German Corporate Governance Code
GDPR	General Data Protection Regulation
GmbH	Limited company, Gesellschaft mit beschränkter Haftung
HGB	German Commercial Code, Handelsgesetzbuch
HoldCo	TigerLuxOne Holdco S.C.A.
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IDW	Institute of Public Auditors in Germany
IFRS	International Financial Reporting Standards
IFRS IC	IFRS Interpretations Committee
IfW	Kiel Institute for World Economy
ILO	International Labor Organization
IoT	Internet of Things
IPO	Initial Public Offering
IT	Information Technology
LTI	Long-term variable remuneration component
LTIP	Long-term incentive plan for Management Board members of the company

MAR	Market Abuse Regulation
MEP	Management Equity Participation
NCI	Non-controlling interests
OCI	Other comprehensive income
OEM	Original equipment manufacturer
OT	Operational Technology
PEC	Preferred Equity Certificates
R&D	Research and development
SaaS	Software-as-a-Service
SAR	Share Appreciation Rights
SIC	Standing Interpretations Committee
SOC	Security operations centre
STI bonus	Short-term variable remuneration component
TLO	TigerLuxOne S.á r.l.
UK	United Kingdom
UmwG	German Transformation Act, Umwandlungsgesetz
VAT	Value added tax
WACC	Weighted average cost of capital
2017 syndicated loans	Credit agreement, Regit Eins GmbH entered into with various lenders on 22 February 2017
2019 syndicated loan	New credit agreement with various lenders from 27 September 2019

06 Financial Calendar

Date	Event
12 May 2020	Q1 2020 Quarterly Statement
29 May 2020	Annual General Meeting, Stuttgart
4 August 2020	2020 Half-year Financial Report
November 2020	Q3 2020 Quarterly Statement


09:38 Uhr
Industrial I
09:38 Uhr
Industrial II
Food & Beverages

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