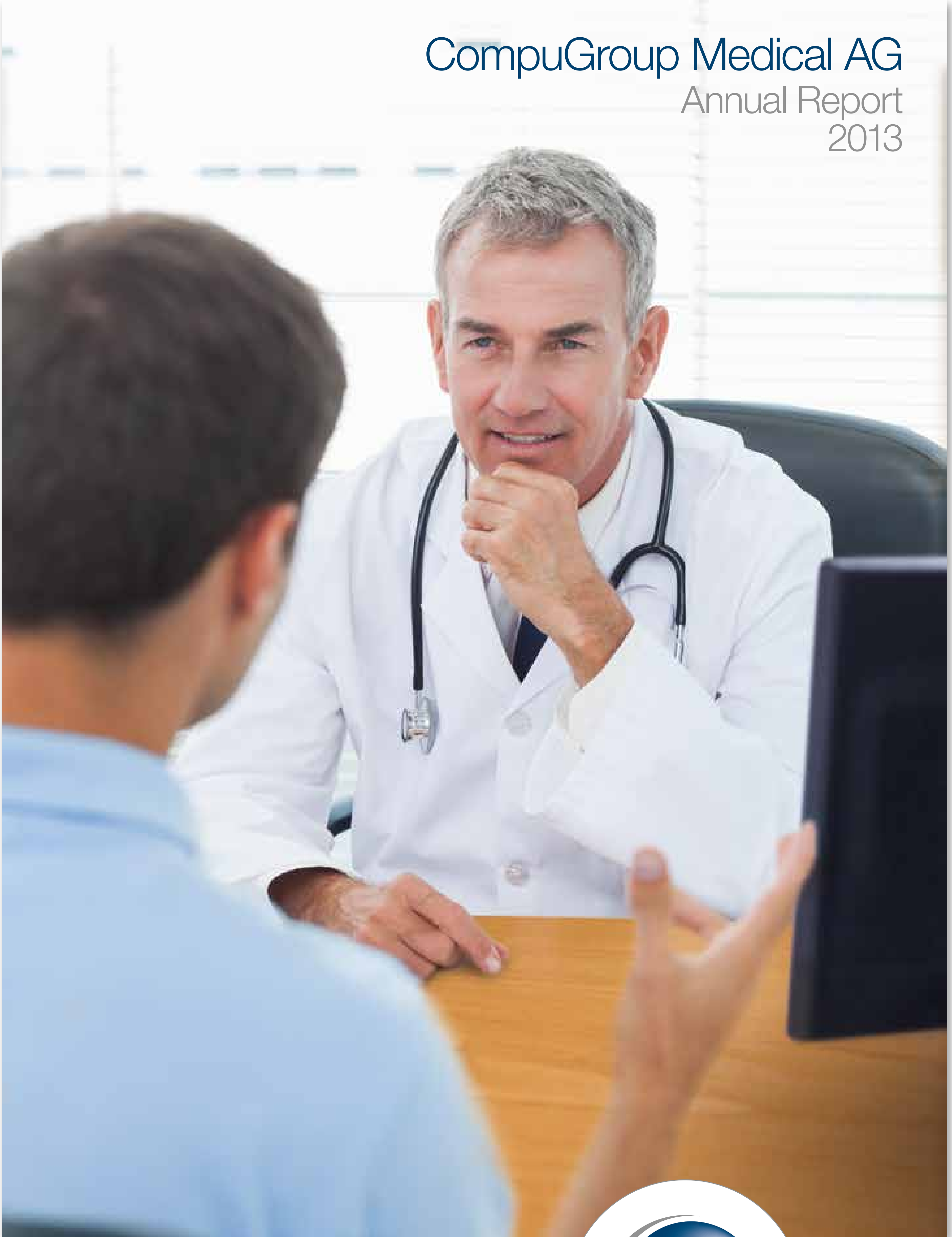
CompuGroup Medical AG
Annual Report 2013



Synchronizing Healthcare

CompuGroup Medical

Our vision

CompuGroup Medical stands for the best possible healthcare.

Our vision is the best support for healthcare through intelligent IT. We facilitate diagnosis and therapy, simplify workflows and enhance the exchange between all those involved in healthcare. We successfully employ IT in healthcare – to provide better and ever more financially sustainable healthcare in the best interest of all people.

Contents

Key facts 2013

460 €m Group Revenue

52 €m Cash Net Income

98 €m EBITDA

0.48 € Earnings Per share

Building on our achievements

Dear Shareholders,

In November 2013, we won a 20 million Euro tender for testing the so called 'Telematic Infrastructure' in one of two pilot regions in Germany. With this project, the foundation for a modern electronic infrastructure in the German healthcare system has been laid. The Telematic Infrastructure is a closed network only accessible to those holding a healthcare professional card or an electronic healthcare card – the so called eGK. It fits perfectly with CGMs strategy to provide more products and services to our customers, such as electronic prescriptions, electronic laboratory test orders, online appointment scheduling and prescription renewals for patients, physician networks, online clinical pathways, hosting services etc. It is a transformational project for CGM and we have waited more than 10 years for this exciting start of a new era in our home market. Winning this contract is also a sign from the National Association of Statutory Health Insurance Physicians, the Statutory Health Insurance Funds and other leading organizations regarding their appreciation of our innovative abilities.

So we certainly made important progress in 2013 – even if the financial results show a more mixed picture. Revenue of 460 million Euro and EBITDA of 98 million was not what we were aiming for and especially the beginning of the year set out on a weaker footing than expected. On the positive side, we quickly made the necessary adjustments and the situation improved during the year. Margins were higher in the last three months compared to the year before and this shows the 'finish strong' attitude in CGM. A strong character gives confidence in the future.

There were also other areas of good development in 2013. The sales records set at the Expopharm trade fair are a testimony that we are on the right track with our innovation and growth strategy in our pharmacy software business. Software for pharmacies is a new and exciting area for CGM as we entered the market with the Lauer-Fischer acquisition in 2011. Since then, we have built on the position as the gold standard in the German market and transformed this company into a high-margin and growing operating segment. Software for pharmacies has everything we like in a business, with long-term customer relationships and a service-oriented business model based on recurring revenue. With a solid foundation in our home market, the next step outside Germany after the Netherlands was in July 2013 when we acquired the market leader for pharmacy software in Italy, Studiofarma, including its largest distributor. Serving more than 7,000 pharmacies all over Italy, it is a clear market leader, and 2014 will be used to create an efficient and powerful business structure similar to the one in Germany. And as always: Organic growth based on a deeper and deeper relationship with our existing customers.

As much as we focus on organic growth within our existing customer base, we also look for acquisitions to grow the number of customers. The acquisition of Imagine Group in France is a perfect example of a classic CGM acquisition: Acquiring a market leader in doctor software in a core European market. With Imagine Group, or 'HelloDoc' as it is known in the market, we added more than 20,000 doctors to our customer base. Together with our existing business in France, we are now the clear market leader for office based doctors in the second largest European nation. Ever more, we are becoming the clear market leader in software for healthcare providers in all of Europe.

Finally, with the acquisition of vision4health right over the year-end, we are now firmly established as one of the leading software suppliers for laboratory and diagnostics in Europe. The IT solution of a laboratory starts at the ordering doctor's office and we have for many years seen the benefits of creating networks between healthcare providers and diagnostic services. Combining our existing customers and the innovative products from vision4health we now have an improved end-to-end capability to serve laboratories, doctors and hospitals even better. And, again, it makes us even stronger in our core European markets.

We emerge from 2013 stronger, larger and better positioned than ever before. For making this a reality, I want to thank all my colleagues, all our shareholders, our customers and all the members of the CGM family for their dedication to our business, for their loyalty and for their support. Thank you!

Yours sincerely,

Frank Gotthardt
Chairman, CEO
27 March 2014

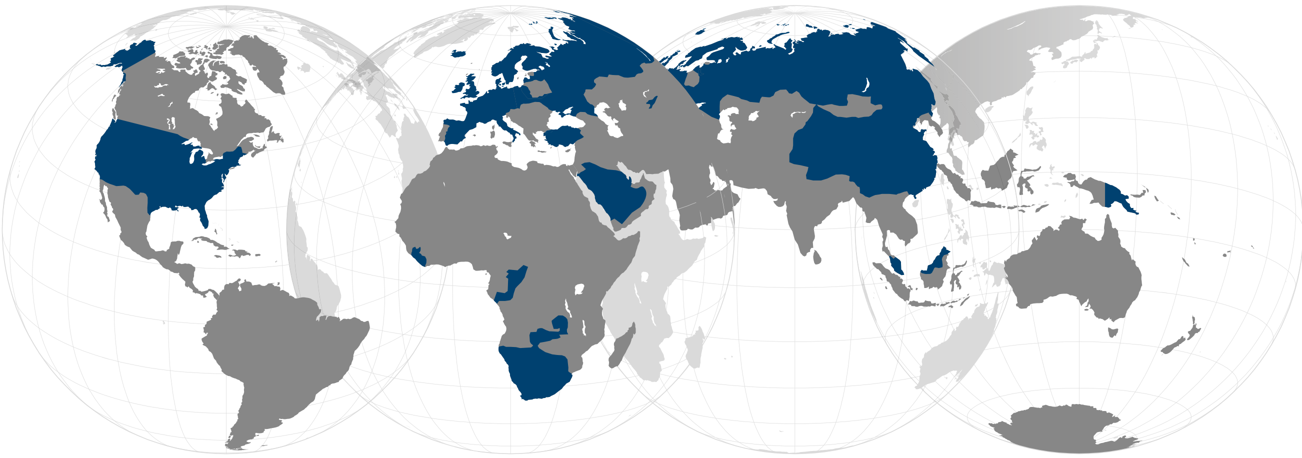
19 Countries

4,000 Employees

CompuGroup Medical
at a glance

Synchronizing Healthcare

From local to global



Unique global position
CompuGroup Medical is a leading global eHealth provider with locations in 19 countries. Today we have the trust of customers from Koblenz to Kuala Lumpur, from Kiruna to Cape Town and Lublin to Los Angeles – in 43 countries worldwide. Our products assist doctors and dentists, hospitals, laboratories, pharmacies, social and other institutions for the good of mankind.

Our global offices

Central Europe	Germany
Central Eastern Europe	Austria, Czech Republic, Poland, Slovakia, Switzerland
North America	United States
Northern Europe	Denmark, Norway, Sweden, The Netherlands, Belgium
Southern Europe	France, Italy, Spain
Asia, Africa, Middle East	Malaysia, Saudi Arabia, South Africa, Turkey

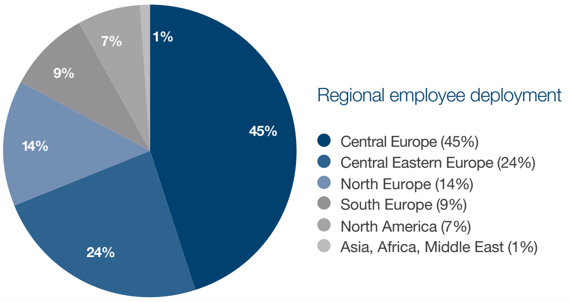
We enable the best healthcare:

- through available, structured medical data,
- through optimizing providers' workflow,
- through Software Assisted Medicine (SAM) solutions and
- through direct patient empowerment with the help of online services.

Koblenz: the heart and soul of CGM

The heart of CGM beats in the Rhineland-Palatinate city of Koblenz. CGM's success story started here around 30 years ago. Today, 750 employees – 20 percent of our global workforce – work in the company headquarter on the grounds of the historical Maria Trost site.

Regional employee deployment



Modern information systems for the outpatient sector

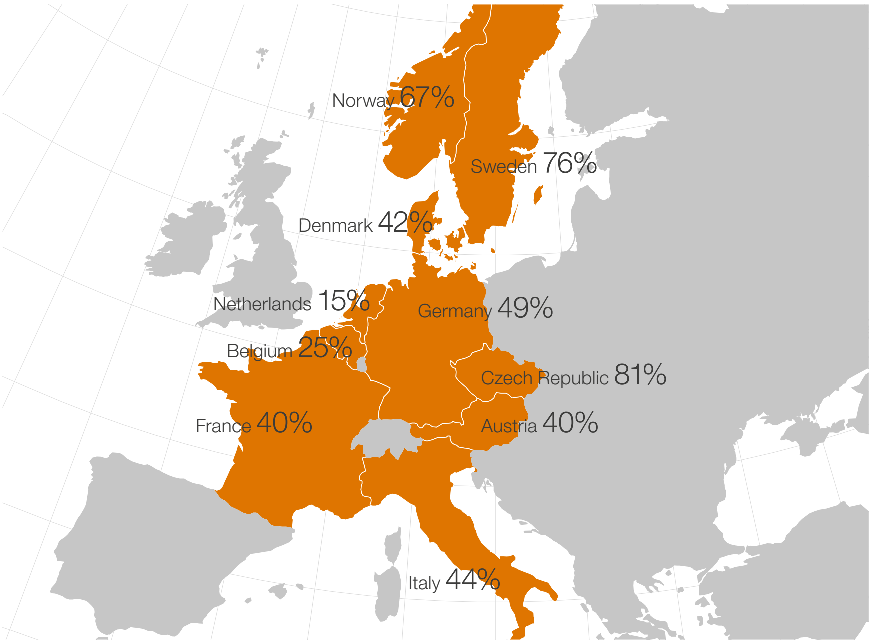
Our medical and pharmaceutical information systems enable more time for the essentials. They manage medical records as well as help with the organization of operational procedures and in the creation of patient invoices. Our integrated software and workflow solutions create efficient structures for general practitioners, office-based specialists, dentists, medical care centers, physician networks and school healthcare.

Whether it is documentation, prescriptions or administration – we make sure that bureaucracy and paperwork disappear and that the most important medical information is provided where and when it is needed. In this way, we unburden our customers giving them time for what matters most: the patient.

Communication between doctor and patient

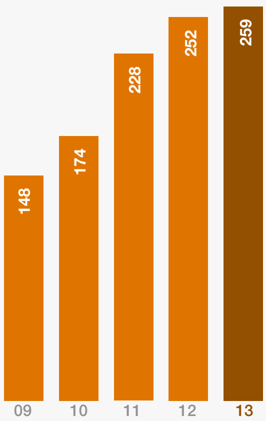
CompuGroup Medical was one of the first companies to develop a fully integrated online service for medical offices worldwide. With CGM, doctors and patients are in direct contact with each other – whether it is about an appointment request, a prescription renewal, an online consultation or requesting findings. The data is fully compatible with the doctors' Ambulatory Information System. The online services not only represent an innovative additional service for patients, they also lower administrative expenditures. This results in the entire medical office team having more time for what is really important: patient care.

Market leader in software for office-based doctors in Europe

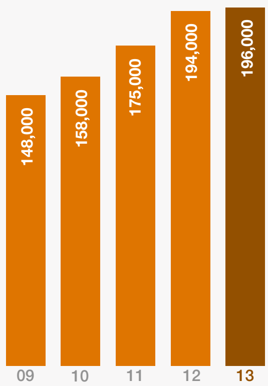


CGM market share

Revenue (€M)



Software maintenance contracts (doctors)



56 %
of total Group revenue: software for doctors

80 %
Recurring revenue

Growing software business on an international scale

Software for pharmacies is focused on integrated clinical, administrative and financial software applications for pharmacies and mail order pharmacies. The software and related services provide accurate information and decision support to manage the complete drug supply chain from procurement and shipping of drugs through efficient management and control of inventory all the way to planning, execution and controlling of the retailing function.

Safe and cost-efficient dispensing to patients is ensured through advanced drug safety and control functions as well as decision support tools for generic substitution and cost optimization strategies. We also offer in-store and online merchandising programs supported by paper-based and screen-based communication and advertising solutions.

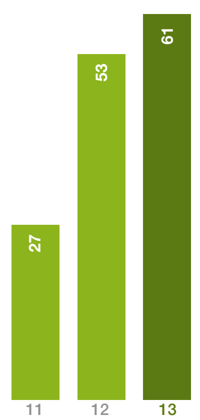
Successful market entry in Germany

In June 2011, CompuGroup Medical AG entered the market for pharmacy software by acquiring LAUER-FISCHER. The company is one of the leading and most innovative companies in the pharmacy software market since almost 6 decades. Today, it services approximately 20 percent of German pharmacies today. In 2013, LAUER-FISCHER again convinced as innovation leader with the commercial success of the WINAPO® prescription scanner WINAPO® and the integrated designer hardware WINAPO® ONE. With its application "meineApotheke", LAUER-FISCHER proved its solution competency in the field of smart and mobile customer communication.

13 %
of total Group revenue: software for pharmacies

80 %
Recurring revenue

Revenue (€M)



Acquisition in Italy

In July 2013 CGM acquired the Italian market leader for pharmacy software Studiofarma and its largest sales partner Qualità in Farmacia.

30 % Market share

7,000 Customers

Modern information systems for the inpatient sector

During a patient's stay in a hospital, he or she passes through many hospital wards: from admission to in-patient care and medication, from operation to release. Our software guides all management and medical specialists in all tasks. Our integrated software and workflow solutions create efficient structures for clinics, laboratories, rehabilitation centers and social services.

The software and related services facilitate patient administration, resource and personnel management, medical documentation and billing programs in addition to a number of clinical applications aimed at various specialized departments and laboratories. As a full service provider, CGM pursues an integrated care approach and provides customized solutions for practically all aspects of administration, planning and care delivery in secondary care institutions.

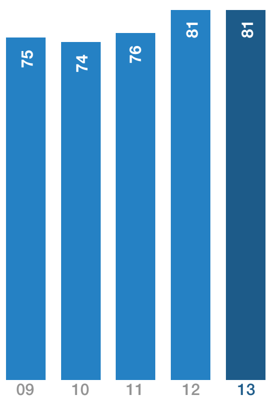
CGM G3 – new generation hospital information systems

CGM's strategy for the evolution of hospital information systems has shown further success in 2013. The modular G3 strategy offers many clinics a new perspective on how they can meet their growing requirements with secure, user-friendly and efficient systems. In November 2013, the first module of CGM's newly developed hospital information software G3 was implemented in Germany. The CGM G3 Medication Management module covers the clinic's entire medication process, thereby increasing safety of drug therapy and reducing workload on clinic personnel. The modular G3 strategy has already been convinced CGM customers in Germany, Austria and Switzerland.

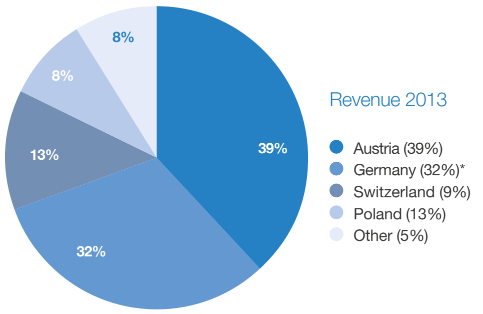
18 % **of Group revenue: software for hospitals**

45 % **Recurring revenue**

Revenue (€M)



Revenue 2013 by country



*including social care and rehabilitation institutions

Networking systems for the healthcare sector

Physicians, pharmacists and treatment teams are working more and more closely together. Symptoms such as visual disorders can be treated together; prescribed medications could be coordinated with each other and preventative measures taken. This benefits all participants: patients are holistically treated and are less likely to suffer from other health-related complications.

Improved quality of care through available knowledge

To offer targeted treatment, physicians require comprehensive data – preferably before the patient consultation. We take care of providing all relevant information in a timely manner – whether from colleagues, a laboratory, a health insurance or hospital. Our networking solutions enable the secure exchange of data between the healthcare sectors – and this, fully integrated into the daily practice routine.

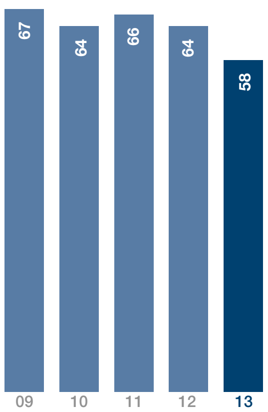
More health at lower cost

Our Software Assisted Medicine (SAM) links physicians, patients and payers and assists in the implementation of crucial initiatives into practice. The physician receives information about signs of a rare disease earlier – and he receives it precisely at the moment the patient is sitting in front of him. Together with physicians and payers, we create many ground-breaking innovations, helpful programs and direct interfaces in our SAM projects. Scientists confirm: Patients are healthier and the providers have a cost reduction of approximately 15%. This progress provides quality of life on the one hand, and also reduces costs.

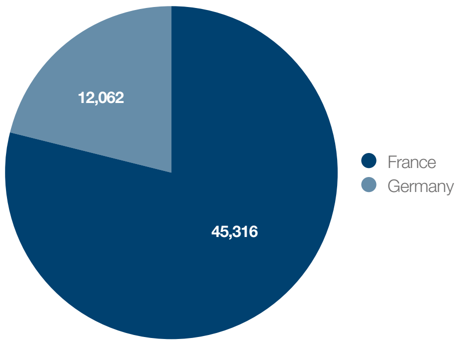
Consumer engagement

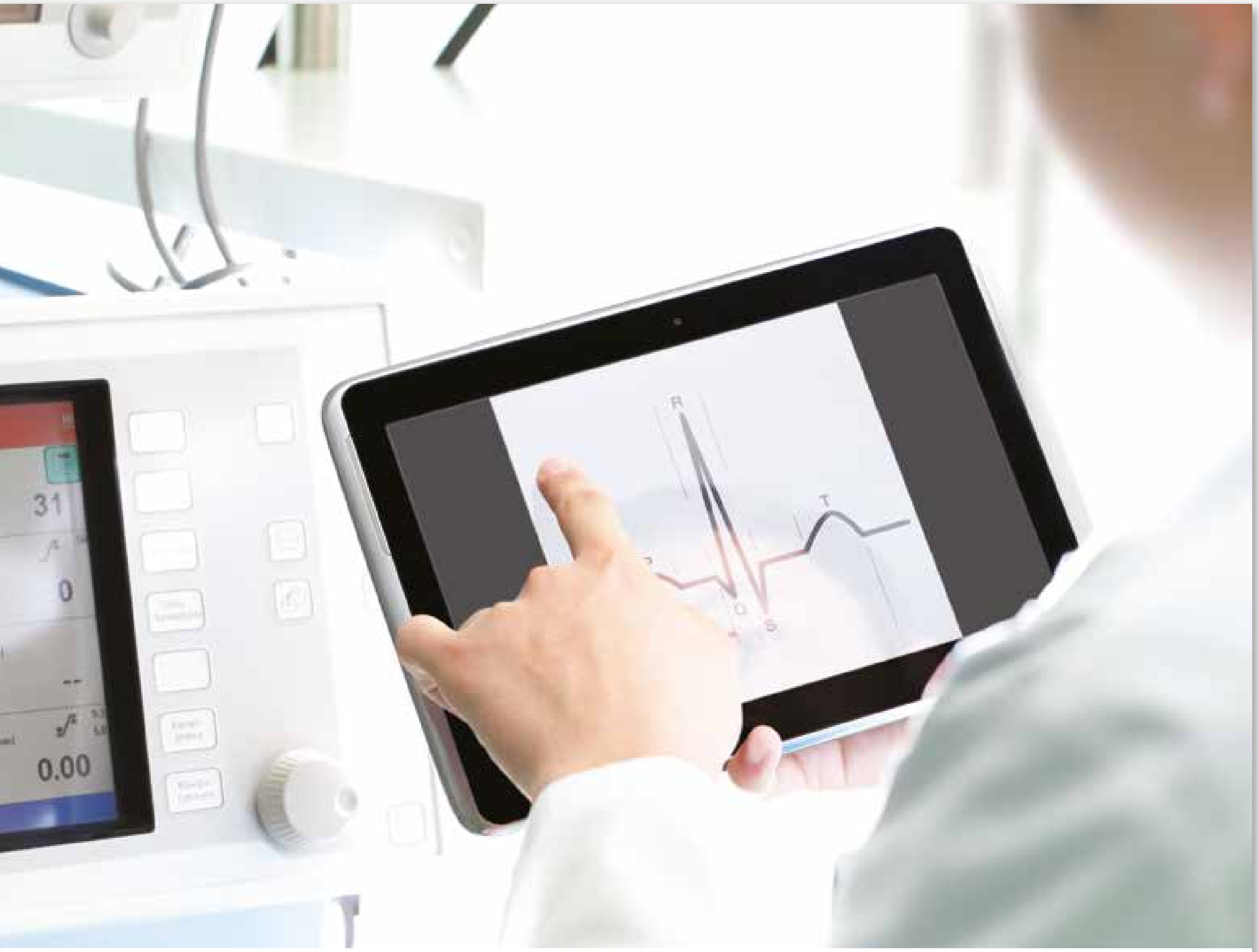
The importance of health and wellbeing is increasing: patients would like to be perceived as individuals and to have a say in their treatment. More and more patients would like to be familiar with and manage their own medical data. We design solutions which allow patients to electronically merge and manage information from all treating physicians. The patient then decides which doctor he makes his medical data available to. Confidential remains confidential – CGM offers the highest safety standard.

Revenue (M€)



ISP connections 2013





13 %
of Group revenue:
Networking

Synchronizing Healthcare

Frank Gotthardt
Frank Gotthardt, Chairman of the Management Board, CEO

Frank Gotthardt was born in Germany in 1950. He became a pioneer of IT in the healthcare sector in his days as a computer scientist. He built Koblenz based company up from nothing and has continued to lead and shape it since its founding. Under his leadership the business grew into one of the leading providers of eHealth-solutions worldwide. Frank Gotthardt is majority shareholder of CompuGroup Medical AG. He is also the Regional Chairman of the Economic Council of Rhineland-Palatinate, a member of the Federal Executive Board and Deputy Chairman of the Federal Commission for Health.

Christian B. Teig,
Chief Financial Officer, CFO

Christian B. Teig was born in Norway in 1965. He has been on the Executive Board of CompuGroup Medical AG since 2008. He is the former CEO of the subsidiary, Profdoc. During his time in this position, he developed it into one of Scandinavia's market leaders and acquired customers in Africa and Asia. Prior to this position, he worked in the IT division of Norsk Data and also as a Management Consultant for McKinsey & Company. In 1990, Christian B. Teig earned a B.S. degree from the University of California in Santa Barbara and in 1995, his MBA from INSEAD in France.

Uwe Eibich,
Executive Vice President, Central Europe

Uwe Eibich was born in Germany in 1962. He was appointed a member of the Management Board of CompuGroup Medical AG in 2007. Since 1998, the computer scientist headed the Dental and Human divisions in Germany and supervised the international expansion of the company. Today, he is responsible for the region of Central Europe. In addition, Uwe Eibich is an Executive Board member of the Federal Association for Healthcare IT (bvitg).

Report of the Supervisory Board

The Supervisory Board of CGM AG has performed the duties required by law and the Articles of Association during the 2013 financial year. The Supervisory Board regularly advised the Management Board in its management of the company and supervised the company's management team. The Supervisory Board was directly involved in all decisions of major significance to the company.

The Management Board informed the Supervisory Board regularly, comprehensively and promptly by means of verbal and written reports on all issues of relevance to corporate planning and strategic development, the course of business, the general situation of the group including any risks, and risk management.

The Supervisory Board obtained regular reports from the Management Board regarding measures implemented to improve results as well as possible, planned and completed company acquisitions. Opportunities and risks of possible transactions were discussed in detail with the management board. Deviations from the business plans and targets were explained fully.

The Supervisory Board formed an audit committee whose Chairman is the Chairman of the Supervisory Board. The audit committee held three meetings in total for the year under review and discussed the interim financial reports of the Management Board as well as prepared the resolutions of the Supervisory Board. The committee submitted its recommendation for the appointment of an auditor for the fiscal year 2013 to the Supervisory Board. The Supervisory Board was regularly informed of the audit committee's work. In addition to the Chairman Mr. Prof. Klaus Steffens, other committee members include Dr. Klaus Esser, Dr. Daniel Gotthardt and Mr. Ralf Glass.

The Supervisory Board held five ordinary meetings in the year under review. Furthermore, four resolutions were concluded in telephone conferences and written procedures:

March 28 2013:
In the March 2013 session where the financial position was determined, the annual financial statements of CGM AG 2012, the 2012 consolidated financial statements and the respective management reports were explained in detail to the Supervisory Board by the Management Board in the presence of the auditors. The annual financial statement was determined and group accounts were approved. The proposal presented by the Management Board for the appropriation of earnings was approved and the agenda for the 2013 Annual General Meeting was set. In addition, other activities, plans and funding for fiscal year 2013 the Supervisory Board were presented to the Supervisory Board.

May 15 2013:
At the meeting, the Management Board reported on the current situation in all business areas. Here, the Annual General Meeting was also prepared.

July 01 2013:
The Supervisory Board discussed and agreed upon possible corporate acquisitions in a conference call.

July 24 2013:
The Supervisory Board discussed and agreed upon possible corporate acquisitions in a conference call.

August 23 2013:
The Supervisory Board discussed and agreed upon the possible corporate acquisition of a business area in Germany during a conference call.

September 11 2013:
In this meeting, the Supervisory Board discussed updating the Joint Declaration of Compliance with the Corporate Governance Code. Further topics discussed in this session were, the considerations of the Management Board to have the HCS segment operate as an international business unit, the scheduled efficiency audit for the Supervisory Board and updating the rules of procedure for the Supervisory Board.

November 14 2013:
In this meeting, the Supervisory Board was informed about the latest possible corporate acquisitions. A draft of the 2014 budget was presented and discussed. The Management Board submitted a draft of the interim financial report from 31.10.2013 to the Supervisory Board for consideration. The Supervisory Board also discussed in this session the introduction of an adapted organizational structure for the group.

December 10 2013:
The Supervisory Board was informed about the current situation of all business areas in this session. The budget submitted by the Board in 2014 for the CGM Group was explained in detail to the Supervisory Board and then subsequently approved. The Supervisory Board approved the acquisition of a leading software provider in France. Since a portion of the purchase price was to be made by transferring shares of the Company, the Supervisory Board approved the use of the company's own shares for this purpose.

December 18 2013:
The Supervisory Board discussed and agreed upon the possible corporate acquisition of a business area in the laboratory information systems segment during a conference call.

Report of the Supervisory Board Continued

There were no conflicts in interest from the Supervisory Board during the reporting time period.

In a session taking place on March 22, 2014 the Supervisory Board provided the financial auditor with the following: annual statement for the 2013 financial year as provided by the Management Board; consolidated financial statements and the management report of the Company and the Group; the Management Board's proposal for the appropriation of accumulated earnings; and the respective audit reports issued by the financial auditor. The documents submitted were reviewed by the Supervisory Board and Audit Committee. In the March 2014 session where the financial position was determined, the employees from the financial auditing firm, PricewaterhouseCoopers AG (PwC) in Frankfurt personally answered all questions posed by the Supervisory Board in detail.

The auditors (PwC) elected by the Annual General Meeting and appointed by the Supervisory Board, audited the annual financial statements for CompuGroup Medical AG, the consolidated financial statements and the respective annual reports of the AG and of the group for the year ending on December 31, 2013, including accounting records, in accordance with statutory provisions and issued an unrestricted audit certificate.

The Supervisory Board took note of the audit's findings and did not raise any objection.

In accordance with Section 171 of the Stock Corporation Act (AktG), the Supervisory Board has reviewed and adopted the following: annual financial statements of the parent company and the group; the annual reports of CompuGroup Medical AG and the group; the Management Board's recommended appropriation of net earnings for the year; the risk management report. The financial statements of CompuGroup Medical AG have thus been approved. The consolidated financial statements have also been adopted.

The Management Board has submitted the report stipulated by Section 312 of the Stock Corporation Act (AktG) concerning relationships with related companies (dependency report) to the Supervisory Board together with the declaration required by Section 312 (3) of the Stock Corporation Act (AktG). The aforementioned auditor has checked the dependency report and issued the following certificate confirming the results of the audit:

"Based on our obligatory audit and assessment, we confirm that

1. the actual details in the report are correct,
2. the payments rendered by the company were not unreasonably high for the legal transactions listed in the report."

The Supervisory Board has noted and approved the audit results and has also reviewed the dependency report. Following the final results of the review conducted by the Supervisory Board, no objections were raised either against it or against the Management Board's declaration at the end of the dependency report.

The Supervisory Board would like to thank all the members of the Management Board and the employees of CompuGroup Medical AG including those employed with its subsidiaries for their commitment and work performed in the past financial year.

Koblenz, 22 March 2014

The Supervisory Board

Professor Dr. Klaus Steffens
Chairman

Corporate Governance Statement

The actions of CompuGroup Medical´s Management Board and Supervisory Board are based on the principles of good and responsible corporate governance. In this statement, the Management Board – also acting on behalf of the Supervisory Board – provides its report on corporate governance in the Company pursuant to sub-section 3.10 of the German Corporate Governance Code (GCGC) and pursuant to section 289a (1) of the German Commercial Code (HGB).

Declaration of Conformity

This declaration of conformity relates to conformity with the recommendations of the German Corporate Governance Codex (GCGC) in accordance with section 161 of the Aktiengesetz (German Stock Corporation Act).

Since the last declaration of conformity dated September 2013, CompuGroup Medical AG has conformed to the recommendations of the GCGC as amended on 13 May 2013, subject to the deviations mentioned in the aforesaid declaration.

In the future, CompuGroup Medical AG will comply with the recommendations of the German Corporate Governance Codex with the following exceptions:

Section 3.8 of the GCGC

A deductible within a D&O insurance for the Supervisory Board which suits all Management Board members should be determined. The current D&O insurance does not follow this recommendation as a deductible is not considered commensurate due to the amount of remuneration of the Supervisory Board.

Section 4.1.5 of the GCGC

The Management Board shall take diversity into consideration when filling managerial positions and, in particular, aim for an appropriate consideration of women. Regarding the occupation of leadership positions in the company, the Management Board considers an appropriate diversity with regards to the company's international scope and evaluates male and female candidates based on the same criteria.

Section 4.2.2 of the GCGC

The Supervisory Board should take the ratio of Senior Management to the overall workforce and its development over time into consideration when determining the compensation of the Management Board members. The Supervisory Board will not follow this recommendation because it does not consider this approach appropriate when determining the compensation of the Management Board members.

Section 4.2.3 of the GCGC

According to section 4.2.3 the compensation of the Management Board should be limited, both in terms of the total amount and the variable components. The management contract with the CEO does not provide such a limitation in order to provide an incentive effect which would not be given to the same extend in case of a limitation.

The Supervisory Board has reserved the right to adjust performance targets or underlying comparison parameters during the contract period. This is necessary in order to obtain the necessary flexibility to respond to relevant changes in market and business environment.

Pension commitments to Management Board Members are currently nonexistent are also not intended for in the future.

Section 5.1.2 of the GCGC

An age limit for members of the Management Board shall be specified. CompuGroup Medical does not comply with this recommendation and has not fixed an age limit for its Management Board members. The company believes that a rigid age limit does not represent an appropriate selection criterion for its corporate officers and will consider this aspect on a case by case basis when evaluating potential candidates. The Supervisory Board considers an appropriate diversity with regards to the company's international scope and evaluates male and female candidates based on the same criteria.

Section 5.2 of the GCGC

The company deviates from the recommendation in section 5.2 of the GCGC stipulating that the Chairman of the Supervisory Board shall not be Chairman of the Audit Committee. The Chairman of the Supervisory Board of CompuGroup Medical has specific knowledge and experience in the field of accounting and internal control procedures and is also considered to be independent.

Section 5.3.3 of the GCGC

The Supervisory Board shall form a nomination committee composed exclusively of shareholder representatives which proposes suitable candidates to the Supervisory Board for recommendation to the General Meeting. CompuGroup Medical does not comply with this recommendation as has no nomination committee. It is not considered necessary to constitute a separate nomination committee as a working procedure has been established for the Supervisory Board to carry out the duties of a nomination committee in close cooperation with the largest shareholders of CompuGroup Medical.

Section 5.4.1 of the GCGC
According to section 5.4.1 of the Corporate Governance code an age limit for members of the Supervisory Board shall be specified. CompuGroup Medical does not comply with this recommendation and has not fixed an age limit for its Supervisory Board members. The company believes that a rigid age limit does not represent an appropriate selection criterion for its Supervisory Board Members and will consider this aspect on a case by case basis when evaluating potential candidates.

With regard to the composition of the Supervisory Board, the company will predominantly take into account potential candidates' expertise, skills and professional experience.

The Supervisory Board will not specify concrete objectives regarding its composition which need to be considered in election recommendations to the Annual General Meeting, in order to retain flexibility in assessing the suitability of potential candidates.

Section 5.4.6 of the GCGC
The compensation arrangements for the Supervisory Board basically provide for a uniform fixed compensation. All Supervisory Board members are expected to perform their tasks with the highest level of engagement with focus on the company's long-term success. Up to now, only the chairman of the Supervisory Board receives a 50 percent higher compensation, because the work pattern of the chairman is clearly larger than the work pattern of all other Board Members, including the deputy chairman and the committee members.

Koblenz, March 2014

Prof. Dr. Klaus Steffens
Chairman Supervisory Board

Frank Gotthardt
Chief Executive Officer

Corporate Governance Practices
CompuGroup Medical acknowledges the obligation to behave as a responsible member of society. Our business is based on trust and we are daily dealing with issues related to health care safety, patient privacy and public procurement processes. CompuGroup Medical's business activities will always comply with applicable laws and regulations and act in an ethical and socially responsible manner. This ethical foundation in some instances result in CompuGroup Medical's corporate governance principles to go beyond the requirements of law and the recommendations of the GCGC. There are written instructions with ethical guidelines which apply to all our staff, and to all those who act on CompuGroup Medical's behalf. We also expect our suppliers and partners to have ethical guidelines in their own enterprises, which are consistent with CompuGroup Medical's ethical values. The documents describing the CompuGroup Medical guidelines are permanently available from our website at www.cgm.com.

Operation principles of the Management and Supervisory Board
CompuGroup Medical AG is a company under German law, which also represents the basis of the GCGC. One of the fundamental principles of German stock corporation law is the dual management system involving two bodies, the Management Board and the Supervisory Board, each of which is vested with independent competences. CompuGroup Medical's Management Board and Supervisory Board cooperate closely and confiding in managing and monitoring the Company.

The Management Board is responsible for managing the enterprise. Its members are jointly accountable for the management of the enterprise. The Chairman of the Management Board coordinates the work of the Management Board and is also the Group Chief Executive Officer (CEO). Underneath the CEO, the organizational design is a regional-functional matrix organization with senior executives reporting directly to the Group CEO. This structure is supported by a detailed governance model that determines the way in which CompuGroup Medical operates. In 2011 one member of the Management Board was assigned to the regional line organization as Executive Vice President and overall responsible for the region of Central Europe. The other Management Board member is assigned to the functional organization as Chief Financial Officer (CFO). All members of the Management Board meet on a weekly basis to discuss a broad set of issues ranging from daily operations to the Group strategy. The Management Board together with all regional managers composes the Strategic Management Group, which meets about ten times per year to harmonize operations and ensure knowledge sharing across geographies and functions.

CompuGroup Medical supports the concept of an effective Supervisory Board in line with the company's needs for expertise, capacity, balanced decision-making and ability to independently evaluate the company's activities and the conduct of its management. The Supervisory Board appoints, supervises and advises the members of the Management Board and is directly involved in decisions of fundamental importance to the enterprise. The chairman of the Supervisory Board coordinates the work of the Supervisory Board. The duties of the Supervisory Board and its Committees are regulated in the Articles of Association. In addition, the Supervisory Board has adopted terms of reference governing its work. The Supervisory Board does not comprise any former Management Board members. It comprises a sufficient number of independent members not maintaining any personal or business relationship with the Company or its Management Board. Supervisory Board meetings are generally held six to eight times per year, and during at least one of these meetings the corporate strategy is up for review. Every month, the Supervisory Board receives a financial review, management reports and forward-looking analysis. The Supervisory Board regularly reviews the efficiency of its work. The last efficiency review took place in 2013. The next efficiency review is scheduled for 2015. The efficiency of the Supervisory Board's work, including its cooperation with the Management Board, was determined on the basis of a list of questions and a subsequent discussion at a Supervisory Board meeting. The Supervisory Board has established one Committee from among its members: The Audit Committee consists of the Chairman of the Supervisory Board, two shareholder representatives, and one employee representative. The Supervisory Board has appointed its Chairman, Prof. Dr. Klaus Steffens, as the independent Audit Committee financial expert. The Audit Committee monitors the Company's financial reporting process, discusses and examines annual consolidated financial statements and management reports prepared by the Management Board, as well as the quarterly financial reports. Based on the independent auditors' report, the Audit Committee gives recommendations with respect to the approval of the annual financial statements and the consolidated financial statements by the Supervisory Board. Furthermore, the Audit Committee recommends to the Supervisory Board the independent auditors elected at the General Shareholders' Meeting to audit the annual financial statements.

The Management and Supervisory Board members are obliged to act in CompuGroup Medical AG's best interests. In the completed financial year, there was no conflict of interest, which was disclosed to the Supervisory Board. None of the Management Board members of CompuGroup Medical AG sat on more than three Supervisory Boards of listed non-Group companies.

Compensation of the Management Board and Supervisory Board

CompuGroup Medical AG complies with the recommendations of the GCGC to provide details of the compensation of each individual member of the Executive Board and Supervisory Board. The principles of the compensation systems and compensation amounts are outlined in the Compensation Report, which is part of the management report.

Risk management

Good corporate governance entails the responsible handling of company risks. The Management Board of CompuGroup Medical use general and company-specific reporting and monitoring systems to identify, assess and manage these risks. These systems are continually developed and adjusted to match changes in overall conditions. The Management Board regularly informs the Supervisory Board about existing risks and the development of these risks. The Audit Committee deals in particular with monitoring the accounting process, including reporting, the efficiency of the internal control system, risk management and the internal auditing system, compliance and audit of the annual financial statements. More detailed information about CompuGroup Medical's risk management is presented in the Risk Report. It also contains the report on the accounting related internal control and risk management system required in accordance with the German Accounting Modernization Act.

Accounting and auditing

CompuGroup Medical AG prepares its consolidated financial statements in accordance with the provisions of the International Financial Reporting Standards (IFRS) as applicable in the European Union. The annual financial statements of CompuGroup Medical AG are prepared in accordance with the German Commercial Code (HGB). The consolidated financial statements are prepared by the Management and audited by the auditors and the Supervisory Board. The interim reports are discussed between the Audit Committee and the Management Board prior to publication. The consolidated financial statements and the financial statements of CompuGroup Medical AG for the fiscal year 2012 were audited by PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Frankfurt, the auditors elected by the 2012 Annual General Meeting. The audit was based on German auditing rules, taking account of the generally accepted auditing standards issued by the German Auditors' Institute as well as the International Standards on Auditing. It also covered risk management and compliance with reporting requirements concerning corporate governance pursuant to section 161 of the German Stock Corporation Act. In addition, a contractual agreement was concluded with the auditors to the effect that the auditors will immediately inform the Supervisory Board of any grounds for disqualification or partiality as well as of all findings and events of importance arising during the performance of the audit. There was no ground to provide such information in the framework of the audit of the financial year 2012.

Shareholders and Annual General Meeting

The shareholders of CompuGroup Medical exercise their rights in General Meetings. The Annual General Meeting takes place during the first six months of the business year. The Chairman of the Supervisory Board is the chair of the General Meeting. The General Meeting performs all duties assigned by the law. Our aim is to make the participation in General Meetings as easy for the stockholders as possible. Thus, all reports and documents necessary to the participation, including the Annual Report, are published in an easily accessible way on the company's Internet site together with the agenda. The Management Board arranges for the appointment of a representative to exercise shareholders' voting rights in accordance with instructions.

Transparency

A standardized, comprehensive and prompt information flow is highly valued in CompuGroup Medical AG. CompuGroup Medical's business situation and results will be outlined in the Annual Report, in the quarterly reports, at the annual investor and analyst conference and regular conference calls. Furthermore, press releases or, if legally required, ad hoc announcements will also provide information. All announcements and reports are available on the Internet at www.cgm.com under the section Investor Relations. CompuGroup Medical AG has prepared the required directory of persons with insider information (insider register). The affected persons are informed about the legal obligations and penalties.

Combined Management Report

The CGM Group

CompuGroup Medical AG Group (CGM) develops and sells efficiency and quality-enhancing software as well as information technology services exclusively for the healthcare sector. The company plays a leading role in the development of global e-health solutions and enjoys market leadership in Germany as well as in other key European countries. CGM's software products and related services are designed to support all medical and organizational activities in doctors' offices, medical laboratories, pharmacies, hospitals and other provider organizations. Its information services for health insurance companies and pharmaceutical producers contribute towards safer and more efficient healthcare. The company's services are based on a unique customer base of doctors, dentists, hospitals and pharmacies, as well as other service providers in healthcare. With headquarters in Germany (Koblenz), the company has a wide and global reach with offices in 19 countries and customers in 34 countries worldwide. Approximately 4,000 highly qualified employees support customers with innovative solutions for the steady growing demands of the healthcare system.

Organizational structure

The CGM Group consists of many companies in several countries; all controlled directly or indirectly by the parent legal entity CompuGroup Medical AG. For a complete list of Group companies and other equity investments, see Section A of the notes to the Consolidated Financial Statements. The subsidiaries in each country serve as a platform for our local employees who perform the tasks of sales and marketing, service and support, research and development as well as general administration close to customers and markets. Independent of the legal entities, the Group is managed as "one company" with reporting lines and decision powers defined by operating segments and not by legal structure.

Operating segments

CGM serves a broad range of healthcare providers, from general practitioners, community clinics and pharmacies, to hospitals and medical laboratories. In addition, we offer products and services to facilitate networking between various healthcare participants, targeted specifically at pharmaceutical companies, healthcare payers, healthcare providers and also patients. Our offer is built around a portfolio of reliable and user friendly software applications, complemented by a broad range of value-added services to facilitate networking within the complete healthcare universe. Our solutions are tailored to specific user communities, each with a unique set of requirements and success factors. The following six business segments contain our complete portfolio of products, solutions and services:

Ambulatory Information Systems is focused on practice management software and electronic medical records for office-based physicians, dentists, medical care centers and physician's networks. The customers are usually primary care providers working in ambulatory care, providing health services on an outpatient basis to those who visit a healthcare facility and depart after treatment on the same day. For these providers, products and services are packaged into an end-to-end solution that covers all clinical, administrative and financial functions needed to operate a modern care facility. The integrated software solution creates efficient structures for the customers to manage, analyze and use medical data, organize business operations and generate invoices, including extensive administrative support and workflow functionality.

Pharmacy Information Systems is focused on integrated clinical, administrative and financial software applications for retail pharmacies. The software and related services provide accurate information and decision support to manage the complete drug supply chain from procurement and shipping of drugs through efficient management and control of inventory all the way to planning, execution and controlling of the retailing function. Safe and cost-efficient dispensing to patients is ensured through advanced drug safety and control functions as well as decision support tools for generic substitution and cost optimization strategies. We also offer in-store and online merchandising programs supported by paper-based and screen-based communication and advertising solutions.

Hospital Information Systems is focused on clinical and administrative solutions for the inpatient sector, where health services are provided over a prolonged period of time (from days to years) through highly specialized, secondary care institutions. The customers range from acute hospitals to rehabilitation centers and social services, including multi-site hospital networks and regional care organizations. The software and related services facilitate patient administration, resource and personnel management, medical documentation and billing programs in addition to a number of clinical applications aimed at various specialized departments and laboratories. As a full service provider, CGM pursues an integrated care approach and provides customized solutions for practically all aspects of administration, planning and care delivery in secondary care institutions.

Communication & Data is targeted at pharmaceutical companies, enabling them to provide information to healthcare providers through software interfaces. In addition, CGM collects and mediates anonymous clinical data for market studies, clinical trials etc.

Workflow & Decision Support is targeted at healthcare payers (health insurers, managed care companies and public sector organizations) by providing an information channel to healthcare providers via software interfaces. Information, best practices and clinical guidelines are integrated in the workflow of the doctors to optimize decision-making and thereby assist them in delivering the highest quality and most cost efficient care. Other service examples from this segment are clinical decision support systems as well as drugs and therapy databases for healthcare providers.

Internet Service Provider is targeted at healthcare providers (physicians, dentists, pharmacists and hospitals), providing secure Internet and intranet solutions, through which a secure exchange of medical data is guaranteed.

The business segments described above form the basis of our IFRS reporting segments (IFRS: International Financial Reporting Standards).

Reporting Segments
The business of CompuGroup Medical AG encompasses the business areas Health Provider Services (HPS) and Health Connectivity Services (HCS) and from this the three reporting segments HPS I, HPS II and HCS.

Health Provider Services I (HPS I)
For the out-patient (ambulatory) sector: Our integrated software and workflow solutions create efficient structures for physician and dental practices, medical care centers, physician networks and pharmacies. The HPS I segment consists of the following two business segments:

– Ambulatory Information Systems (AIS)
– Pharmacy Information Systems (PCS)

Health Provider Services II (HPS II)
For the in-patient (stationary) sector: We provide customized IT solutions for the acute care, rehabilitation and social care market. The HPS II segment consists of the following business segment:

– Hospital Information Systems (HIS)

Health Connectivity Services (HCS)
Products and services to facilitate networking in the healthcare sector, in particular between care providers, pharmaceutical producers and health insurance companies. The HCS segment consists of the following three business segments:

– Communication & Data (C&D)
– Workflow & Decision Support (W&D)
– Internet Service Provider (ISP)

The internal reporting also covers revenue information according to the following geographical Regions:

– Central Europe (CER): Germany, Luxemburg
– Central Eastern Europe (CEE): Austria, Switzerland, Poland, Czech Republic, Slovakia, Turkey
– North Europe (NER): Norway, Sweden, Denmark, The Netherlands, Belgium, United Kingdom
– South Europe (SER): Italy, France
– United States and Canada (USC): United States, Canada
– Other: South Africa, Malaysia. Other

Business model
CGM's business model is built for long-term sustainability and profitability. Software maintenance and other recurring revenue is the primary source of income. The managed service type contracts that CGM offers reflects the ongoing nature of the value we deliver to our clients. For a fixed and predictable annual cost, the client is offered high-quality products backed by premiere service and readily available and competent support. For our investors, the choice of a service-oriented business model provides CGM with high quality and visibility of future earnings

Based on these principles, the market characteristics and corresponding business model differ significantly between the business segments. Ambulatory and Pharmacy Information Systems target smaller, office based providers where the customer, buyer, decision maker and daily user of the software often is one and the same person. Sales and decision cycles are short, and installation and delivery of solutions is usually completed over the course of a few days. Software maintenance and other recurring revenue is the primary source of income and over the last few years the proportion of recurring revenue has been stable around 80 percent. Other revenue is up-front (one-time) charges coming from license sales, training/consulting and other sales such as 3rd party licenses, associated hardware and equipment etc.

Hospital Information Systems is a project oriented business where the buyer, decision maker and daily user typically are not the same person. In this segment, the customer is usually a hospital administration (IT or procurement department), the administration of a hospital chain or other operator of hospital networks, a regional care organization or regional public sector organization. In Europe, hospitals and care institutions are predominantly owned and operated by the public sector and thus subject to public tendering regulations with long lead times and long decision cycles. Installation and delivery of solutions can range from a few months to multi-year delivery projects. Compared to Ambulatory and Pharmacy Information Systems, the volume of consulting and other professional services is significantly higher and software maintenance and other recurring revenue currently constitute around 45 percent of revenue.

The business model in Communication & Data is based on co-operation agreements (typically with 6-12 months duration), ad-hoc advertising (on-going) and project revenue for collection and mediation of clinical data. Revenue in Workflow & Decision Support is based on project sales (license and professional services), software maintenance and support, and performance-based revenue (cost and quality of care based). The Internet Service Provider business model is based on subscriptions which make up virtually all revenue in this segment.

External factors influencing the business

The healthcare market is in general a large and growing market, with a resilient profile relative to business cycles. In terms of size and growth, the world spends about USD 6.5 trillion on healthcare every year. In 2012, healthcare spending consumed 17.2 percent of the GDP of the United States, the largest share of any country in the world. In the European Union, the average was 9 percent with The Netherlands, Germany and France being the top three each spending about 12 percent of GDP. Furthermore, healthcare providers are being asked to offer ever-more sophisticated and expensive treatments for an aging population. In many parts of the world, costs related to healthcare are currently rising at four to five times the rate of growth in wages and inflation. Even during economic downturns, people will still require medical aid and medicine to overcome illness. Therefore, a business in the healthcare sector is often considered to be defensive because the products and services are essential. Having a consistent demand for goods and services makes this sector less sensitive to business cycle fluctuations.

Changes to the composition of the Group

Compared with the previous year, the composition of the Group has changed through a number of acquisitions as listed below. In addition, certain subsidiaries have been merged and/or changed name but this does not materially change the Group and is not discussed in this management report. For more information about such internal mergers and company name changes, as well as smaller acquisitions, see Section A of the notes to the Consolidated Financial Statements.

Acquisition of control in Ärztenachrichtendienst Verlags-AG, Germany

As of 1 January 2013 the 100 percent subsidiary of CGM AG, CompuGroup Medical Deutschland AG, acquired control in Dr. Ralle Medienholding GmbH (formerly Perikles 20134 Vermögensverwaltung GmbH). This is a holding company with the purpose of managing its acquired shareholdings. Dr. Ralle Medienholding was initially acquired with the intention to divest completely within a limited time period. This plan was changed during the reporting period to a new plan in which the shareholdings of Dr. Ralle Medienholding will be split into two separate companies: "InterM", which will continue to belong to CGM, and Ärztenachrichtendienst Verlags-AG, which will be sold. The shares in "ÄND" fulfill the criteria of IFRS 5 to be classified as "Assets of disposal group classified as held for sale". The acquired assets of ÄND make up a total of EUR 0.4 million and the acquired liabilities summarize to EUR 0.2 million. These values are posted in the Group balance sheet as assets respectively liabilities of disposal group classified as held for sale. These assets and liabilities are not included in the Company Acquisitions tables in the notes to the Consolidated Financial Statements.

Consolidation of "InterM" began 1 January 2013 and the company contributes revenue of EUR 1.2 million and EBITDA of EUR 0.7 million in the reporting period.

Acquisition Studiofarma Srl and Qualità in Farmacia Srl, Italy

In July 2013 the 100 percent subsidiary of CGM AG, CGM Italia SpA, acquired the majority of the shares of the Italian market leader for pharmacy software, Studiofarma Srl, Brescia, and its largest distributor, Qualità in Farmacia Srl, Novara. Consolidation began 1 August 2013 and the companies contribute revenue of EUR 7.3 million and EBITDA of EUR 0.4 million in the reporting period.

Acquisition of the Imagine Group, France

As of 16 December 2013 CGM AG signed a contract to acquire 100 percent of the Imagine Group in France, with closing date on the 16 January 2014. A pre-payment in the amount of EUR 18.0 million for the purchase price was made already at the singing date in December.

The Imagine Group consists of the companies Imagine Editions SAS and Imagine Assistance SARL, both located in Soulac Sur Mer (France). The companies offer the software "HelloDoc" which targets primary care physicians and dentists. The product is currently used by about 20,000 doctors. With this acquisition, CompuGroup doubles the market share in France to now approximately 40 percent of computerized practices. The Imagine Group realized revenue of approximately EUR 7.7 million and EBITDA of approximately EUR 0.9 million in 2013. Consolidation of the Imagine Group will begin 1 January 2014.

Objectives and strategies

The unchanged strategic aim of CGM is to continue to expand its position as the leading international provider of IT solutions for the healthcare system. The key elements of its corporate strategy can be summarized as follows:

- Continue to grow the customer base of doctors, dentist, pharmacists and hospitals through acquisition and organic growth
- Organic growth by adding new products and services to existing customers and through additional revenue streams from pharmaceutical companies, healthcare payers and other participants in healthcare
- Continued leadership in technology and innovation.

Internal management system
The internal management system of CGM is based on a set of key performance Indicators (KPIs). The KPIs used to manage our performance are derived from three primary objectives:

1. Growth
2. Return on Capital
3. Sustainability

In any fundamental value calculation, growth is a primary driver of monetary value. In addition, and also because of the inherent economic benefit, growth drives pricing multiples in the stock market. For our customers, growth means we can invest more into our products and services with technology investments spread over a larger revenue base. In summary, growth is crucial to all stakeholders of CGM: customers, employees and shareowners.

In addition to organic growth, CGM uses acquisitions as a means to grow the business and therefore needs a system to ensure the efficient use of capital. Return on Capital (ROC) simultaneously captures improved income statement profitability and balance sheet efficiency and focuses management on controllable drivers of fundamental intrinsic value. This measure is also in harmony with the information we get from a more comprehensive net-present-value analysis. ROC rewards efficient use of capital in the daily management of the business and is a useful metric for comparing profitability across segments and business units based on the amount of capital they use.

The long-term viability and sustainability of the company is recognized as another fundamental value for all stakeholders in CGM. The business is based on long-term customer relationships with software maintenance and recurring service fees as the primary source of income. Any relevant way to measure and ensure the size and development of the customer base and the size of the portfolio of recurring revenue is considered. We also recognize the importance of our employees as unique knowledge workers, carriers of experience and continuity in customer relations and therefore look for specific ways to measure and stimulate employee engagement as part of our sustainability objective. Our ability to make technology innovations and develop strategic partnerships also counts towards securing the long-term prospects of our business.

A comprehensive set of financial and non-financial key performance indicators are derived from the three primary objectives described above. In 2013, we used the following financial KPIs to manage our performance. Unless otherwise stated, all financial numbers are reported and audited IFRS figures:

Sales revenue/revenue growth. This measure gives the highest level insight into our ability to fulfill our primary growth objective. The absolute size of CGM is internally defined by the sales to third parties (“revenue”), and growth is defined as the year-on-year revenue growth calculated as current year sales revenue relative to the same period 12 months ago, expressed as a percentage.

Recurring revenue/recurring revenue growth. Our recurring revenue includes all software maintenance contracts plus subscriptions for services such as Internet access (ISP), EDI and transaction processing, business process outsourcing, data center hosting, hardware rental etc. The principal source of recurring revenue is software maintenance which customers pay to get software updates and enhancements as well as access to a hotline support service.

(EUR ‘000)	2013	2012	Source
Software maintenance and other recurring revenue	300,613	284,702	Note 19
Hardware rental (non-IFRS)	5,623	5,537	Internal accounts
Recurring revenue	**306,236**	**290,239**	
Growth (in %)	**5.5%**		

Organic growth. Organic growth is defined as the year-on-year growth in revenue excluding all revenue from acquisitions with first time consolidation within the last 12 months. Organic growth is an important component of our overall growth strategy and is also an important measure of our ability to add value to our acquisitions.

(EUR '000)	2013	2012	2011	Source
Group sales revenue	459,555	450,582	397,329	Income statement
Lauer-Fischer 01.01 – 30.06		-27,090		Internal accounts
Microbais 01.01 – 31-12		-10,506		Internal accounts
Effepieffe 01.01 – 31.12		-1,509		Internal accounts
Studiofarma/QF 01.08 – 31.12	-7,319			Company Acquisitions
InterM (ÄND) 01.01 – 31.12	-1,170			Company Acquisitions
Other acquisitions 2013	-1,218			Company Acquisitions
Group organic revenue	**449,848**	**411,477**	**397,329**	
Organic growth (in %)	**-0.2%**	**3.6%**		

EBITDA/EBITDA margin. Earnings before interest, taxes, depreciation and amortization (EBITDA) is a good indicator of our raw cash generating ability, before consideration of expenditures related to taxation, investments and financing. It is particularly relevant when comparing segments and business units since both capital procurement, larger investments (in particular company acquisitions) and taxation are Group level responsibilities that are not subject to the direct influence of the business units. Correspondingly, the EBITDA margin defined as the EBITDA relative to sales revenue expressed as a percentage is a good indicator of operating profitability.

Cash Net Income. Cash Net Income is defined as the reported consolidated net income plus amortization and goodwill impairment less amortization of self-developed software. This measure is used to estimate the total cash liquidity generated after all expenditures to maintain the current business and sustain the organic growth have been paid, including all reported taxes and financial income and expenses.

(EUR '000)	2013	2012	Source
Consolidated net income	21,718	30,423	Income statement
Amortization without amortization of self-developed software	28,912	28,644	Change in Intangible and Tangible Assets
Goodwill impairment	954	1,020	Change in Intangible and Tangible Assets
Cash Net Income	**51,663**	**60,087**	

Leverage. Debt financing and leverage represents an important measure at the corporate level to optimize the cost of capital in the Group. Leverage is defined as the ratio of net debt to EBITDA, where net debt is calculated as current and non-current liabilities to banks and credit institutions minus cash and cash equivalents.

Return on Capital. Return on Capital is defined as after-tax operating income over invested capital expressed as a percentage. After-tax operating income is calculated as reported earnings before interest and taxes (EBIT) reduced by the German nominal tax rate (30%). Invested capital is defined as total assets less current liabilities plus current liabilities to banks less cash and cash equivalents calculated at the beginning of the year. This definition of invested capital excludes the working capital provided through trade payables and other short term liabilities on which no interest or other return must be paid. Furthermore, the timing difference assumes that investments made during the course of a year will generally not start generating earnings before the next year. All figures are taken as year-end values.

(EUR '000)	2013	2012	2011	Source
Earnings before interest and tax (EBIT)	56,828	64,028		Income statement
After-tax operating income	39,780	44,909		EBIT x (1 – 30%)
Invested Capital		505,403	500,195	a – b + c – d
a. Assets		651,284	640,714	Statement of financial position
b. Current liabilities		173,508	152,286	Statement of financial position
c. Current liabilities to banks		46,580	35,746	Statement of financial position
d. Cash and cash equivalents		18,953	23,979	Statement of financial position
Return on Capital (%)	**7.9%**	**9.0%**		$\frac{\textbf{After-tax operating income}}{\textbf{Invested Capital}_{(t-1)}}$

CGM's access to a large and growing customer base, the reputation we hold among our customers and our ability to serve them through highly qualified and motivated employees are critical non-financial success factors which drive all our primary objectives. In 2013, we used the following non-financial KPIs to manage our performance:

Customer base. The customer base represents an important measure to asses our size and relative importance in the healthcare sector. The customer base is defined as the number of healthcare professionals (doctors, dentists, pharmacists) using CGM software and services and is counted in the CRM systems used by our sales and customer service departments.

A comprehensive planning and performance management system has been introduced to include the financial and non-financial performance indicators listed above. A group-wide planning and reporting software has been customized for CGM to bring the financial reporting and performance management information out to line management. The most important KPIs are closely monitored and distributed to the managers together with a financial reporting package which includes budget targets. The cycle of review and discussion with management is typically monthly with a world-wide physical management group meeting in the Koblenz headquarter followed by one-on-one discussion between the segment managers and the CEO and his staff. In case of negative deviations, a deeper and more detailed analysis is performed to identify root-causes and initiate corrective measures.

Research and development

Software development in CGM is generally organized centrally and can be broken down into the four main areas specified below:

- Development of individual components of the existing Ambulatory Information Systems and Pharmacy Information Systems, development activity that occurs both centrally and locally.
- Development of platform products, which are independent products that are plugged into the physician or dentist information systems via interfaces. Examples include electronic archiving systems or systems for managing appointments and optimizing organizational procedures.
- Development of a new generation of Ambulatory Information Systems as well as the development of a new international Hospital Information System, both based on a shared data model and technology platform ('G3'). The separation of business logic from user interface makes it possible to implement core functions through one-off development and maintenance work, these functions being subsequently deployed in different products and their individual product user interfaces.
- Development of innovative software solutions for use in Software Assisted Medicine (SAM).

Individual components are increasingly being adapted by central teams of developers across the sector. Training sessions by external instructors ensure that the teams remain up to date with technological developments. Group companies are continually working to provide customers with state-of-the-art software solutions and services. To ensure the quality of the products on offer, our development teams work with the latest tools in compliance with internationally recognized standards.

Future generations of software developed by CompuGroup Medical will be distinguished by having an individualized front-end solution uniquely adapted to the individual CGM product lines, while back-end modules are developed for all main product lines across platforms. This can be described as a "building block principle". In the medium term, this means, especially for the back-end area, that those development activities will become as centralized as possible. In contrast, developing and updating the front-end area will remain the responsibility of the subsidiaries close to markets and customers.

Capitalized in-house services

In accordance with the provisions of IAS 38, the development work for capitalized in-house services (approximately 280,000 hours) is capitalized as an asset, which had a EUR 9.4 million effect on CompuGroup Medical's EBITDA in 2013. The amortization of capitalized in-house services from prior periods was EUR 3.6 million in 2013. The vast majority of this development work stemmed from the new development project G3.HIS (new development of a Hospital Information System) which involves several Group companies. The larger item in terms of development hours has generated costs in the current year. This mainly involves software maintenance by adapting/constantly improving software products to new and/or amended legal or contractual requirements, work which cannot be recognized in assets. Depending on the area of expertise and/or current regulations, updates are generally required each quarter. The share of capitalized in-house services relative to total software development and maintenance costs was 11 percent in the reporting period. The average number of employees working in software development during 2013 was 1,239.

Report on economic position

General economic conditions

Global economic development

Compared to last year, CGM has not experienced any material change in its business due to changes in the global economic environment. This can be partially attributed to the resilient and defensive attributes of the healthcare sector and the robust business model of CGM, but also to a relatively stable macroeconomic picture in CGM's main markets Europe (in particular Germany) and the United States.

In its most recent Economic Outlook published in November 2013, the OECD provides an analysis of the major economic trends in 2013. Global trade growth has picked up this year relative to the latter half of 2012, helped by stronger final demand in the major OECD economies. Consumption growth has been resilient in the United States and Japan, with on-going improvements to household balance sheets resulting from strong asset price growth, improving labor market outcomes and substantive deleveraging (helped in the United States, by institutions conducive to debt write-downs). In Germany, economic growth continues to strengthen, supported by domestic demand. Real wage gains and low unemployment should sustain consumption growth while improving confidence in the euro area recovery and low interest rates are expected to boost investment spending. In the euro area outside of Germany, household demand has remained much softer, reflecting a mix of weak income growth, high unemployment, declines in property values and debt deleveraging, which has yet to begin in some economies.

An important development during 2013 is the marked deterioration in financial conditions in the major Emerging Market Economies (EMEs) outside China. This occurred in May to August as US long-term interest rates rose following signals that the tapering of Federal Reserve asset purchases might begin earlier than expected, prompting capital outflows and exposing vulnerabilities that had built up in some EMEs. Reinforced by concerns about growth slowdowns and the sustainability of high external deficits and political tensions in some economies, large portfolio investment outflows contributed to tighter liquidity conditions, sharp declines in bond and stock prices and sizeable currency depreciations. This was especially marked in Brazil, India, Indonesia, South Africa and Turkey, all countries with large external financing needs. Even before the recent tightening in financial conditions, economic growth in the major EMEs had softened steadily over the past eighteen months or so, with aggregate non-OECD GDP growth projected to be around 4¾ percent in 2013, around 2 percentage points weaker than the annual average observed over the previous decade.

Forward-looking business surveys and composite leading indicators signal growth in the advanced economies rising towards, or above, trend rates. Signs of activity improvements are particularly apparent in the United Kingdom, Japan and the United States, with a more modest, but broad-based improvement also increasingly visible in the euro area economies. However, a durable exit from the 2008 financial crisis onto a strong growth path is not yet assured and, despite some positive signs of improving growth momentum in the OECD economies, sizeable downside risks remain. Some are longstanding sources of risk that have yet to be tackled fully, such as the fragility of the euro area banking sector and the unsustainable Japanese fiscal situation. These have been augmented by new concerns relating to the potential financial turbulence during a gradual exit from unconventional monetary policies in the United States. In addition to this come the potential spillovers and feedback effects from deteriorating emerging markets on the whole global economy.

Industry development

The consistent trend of a growing healthcare sector, including healthcare-specific information technology and related services, was apparent also in 2013. Major factors driving the growth of the healthcare information technology market are the rise in pressure to cut healthcare costs, growing demand to integrate healthcare systems, financial support from the governments and government initiatives, aging population, growing demand to reduce medication errors and rise in incidences of chronic diseases. The high rate of return on investment to solve these challenges through information technology drives a robust and sustainable demand for software and related services within healthcare.

The overall healthcare IT market in the US is expected to continue to grow at a robust rate, even after the US government concludes its Meaningful Use payments under the HITECH stimulus program. According to a study published by Research and Markets in June 2013, the United States Healthcare IT market is expected to reach USD 31.3 billion by 2017 compared to USD 21.9 billion in 2012.

The European eHealth industry has assumed a leading role with its personalized healthcare systems, medical equipment and integrated eHealth solutions. Its focus is on two main areas, telemedicine/home care and clinical information systems in the primary healthcare sector. According to a study carried out by PricewaterhouseCoopers (PwC), mobile technologies will be an important factor in the global healthcare market. Revenues from the mHealth (mobile health) area could reach USD 23 billion by 2017.

Drawing from this study, it follows that Europe will become the largest mHealth region worldwide with revenues of USD 6.9 billion, followed by the Asia-Pacific region with USD 6.8 billion, North America with USD 6.5 billion, Latin America with USD 1.6 billion and Africa with 1.2 billion.

Overall, it can be said that the healthcare IT market is regarded as a growth market by all studies worldwide. CompuGroup Medical considers itself well-positioned and expects to profit from these developments.

Course of business

In summary, 2013 was a year with two distinct halves: a relatively weak first six months followed by a strong second half and finish to the year. In terms of segments and geographical markets, it was also a mixed picture with good organic growth and strong development in the high margin European Ambulatory Information Systems business, but lower than average growth in Hospital Information Systems, weakness in the US and lower than expected revenue in the Communication & Data segment.

As announced in first quarter financial report for the Group published in May, CGM delivered lower than expected revenue and profitability for the first three months of 2013. Despite this start, CGM at the time expected a gradual improvement over the remaining quarters of 2013 based on a solid order backlog and a significant pipeline of opportunities. CGM therefore reaffirmed the outlook which was presented in the 2012 Annual Report.

Contrary to the expectation in May, the weakness in revenue and profitability continued also in the second quarter. Several management and organizational changes were then implemented but the effects from these measures were not immediate. Reflecting a weaker forecast for the full year, and also factoring in the acquisition of the Italian pharmacy software companies Studiofarma and Quality in Farmacia with consolidation beginning in 1 August, CGM revised the full year 2013 guidance in the second quarter financial report for the Group published in August as follows:

- Expected Group revenue between EUR 458 million and EUR 463 million (previous guidance between EUR 470 million and EUR 490 million)
- Expected Group EBITDA between EUR 97 million and EUR 100 million (previous guidance between EUR 115 million and EUR 125 million)

Following prudent cost measures while still maintaining most on-going growth initiatives, the growth and profitability was back on-track for the third quarter and the full year 2013 guidance from August was reaffirmed in the third quarter financial report for the Group published in November. Another important development in the third quarter was the inclusion of CGM in the German TecDAX index in September.

The good results in the third quarter continued in the last three months of the year and CGM delivered a strong finish to the year with higher fourth quarter revenue than in 2012.

Ambulatory Information Systems (AIS)

The year started well in the European AIS business with 10 percent organic growth in the first quarter, evenly distributed across all geographical markets. In Germany, a significant part of the growth was related to a new drug database tool, ifap praxisCENTER 3 (ipC3), which is a new generation drug database with a multitude of advanced workflow and decision support utilities for drug prescribing.

The positive start to the year in Central and Eastern Europe (Germany, Austria, Czech Republic and Slovakia) and South Europe (Italy and France) continued in the second quarter with 12 percent organic growth year-on-year. However, in North Europe (Sweden, The Netherlands, Norway, Denmark and Belgium) organic growth went from 8 percent in the first quarter to a flat year-on-year development in the second quarter. The main reasons behind this development were adjustments which needed to be made to project calculations for roll-out programs in the Swedish regions of Västra Götaland, Stockholm and Skåne, which reduced revenue recognition from these deliveries during the second quarter.

The delivery issues in Sweden were of a transitory nature and the AIS business in Europe had a good third quarter with 9 percent year-on-year organic growth at constant exchange rates. In July 2013, CompuGroup Medical Italia acquired a majority stake in Tekne S.r.l., located in Ragusa (Italy). Tekne, with its software XDent, is the market leader for Mac OS software for dentists in Italy. It offers not only desktop solutions, but also mobile app solutions to create a link between dentists and their patients. The positive development of the European AIS business continued in the fourth quarter with 8 percent organic growth at constant exchange rates.

For the business in the United States it was a challenging start to 2013 with lower revenue than expected already in the first quarter. To clearly emphasize the shift to a growth strategy in the US, coming from a period of restructuring and efficiency improvements over the last two years, the management of the US business was changed in April with Dr. Norbert Fischl as new Senior Vice President for North America. Norbert Fischl has successfully managed the North Europe region for CGM during the last two years. Despite these changes, significantly lower than expected revenue continued for the rest of the year in the United States. There are significant new market drivers and opportunities in the US, such as Meaningful Use stage 2 and stage 3 (driving further EHR adoption) and ICD-10 (driving PM system upgrades and billing services) but these developments did not create any material impact during 2013.

MEDISTAR Launches the Electronic Pregnancy Record

Innovation in the AIS segment continued in 2013 at a high rate. In August 2013, the CGM business unit MEDISTAR introduced the electronic pregnancy record into the German market. The electronic pregnancy record was developed in cooperation with practicing gynecologists and will support them as an intelligent documentation aid in maternity care. Routine tasks are accomplished in a time-saving manner and workflows optimized throughout the maternity care. As a trusted companion throughout the maternity care, the electronic pregnancy record supports the gynecologist with many efficiency-enhancing features, such as the early detection of missing or abnormal findings, particularities and risks as well as aiding in avoiding redundant data collection. Identifying and planning pending examinations, timely disclosure of patient information and quick and partially automatic data entry are some other features which are included in the electronic pregnancy record's range.

CGM Add-on: Digital Archiving for Physician's Practices

Clean, traceable document management is, also in view of the patients‘ rights laws, becoming increasingly important for every practice. With its products CGM PRAXISARCHIV and CGM DOCUMENTS, CompuGroup Medical provides TÜV certified software, which enables an efficient and clear management of all patient and practice-related documents.

In 2013, the archiving products achieved one of the most successful sales years in their history. With currently 18,500 archive servers installed in Germany, CGM is the market leader in the branch of medical document management systems with more than three times the installed base compared with the second largest market player. The international roll-out of the product developed in Koblenz is progressing steadily. After successful implementation in Austria at the beginning of 2013, CGM PRAXISARCHIV surpassed other archiving systems in only a few months. The CGM archiving products family was also launched in the South African market during the third quarter as a fully integrated add-on module to the existing products there.

French laboratory market entry

In April, CompuGroup Medical signed an agreement to acquire Neurone R&D SAS. The company based in Marseille develops software for laboratories and creates a starting point in the French laboratory market for CompuGroup Medical. The acquired customer base includes many leading laboratory chains and large single laboratories. The web-based laboratory system is distributed as Software as a Service (SaaS).

Telematics Infrastructure and Electronic Health Card (eGK)

In December, CGM won the tender advertised by the Society for Telematic Applications for the German Health Card (gematik) in a consortium with Booz & Company and KoCo Connector. The tender is for the online rollout of the first level testing for the telematic infrastructure in one of two test regions in Germany. CompuGroup Medical Deutschland AG's share of the tender's contract value is approximately 20 million Euros with all material deliveries in 2014 and 2015. A further approximately EUR 6 million of revenue from this tender award is expected in other Group companies in the same delivery period.

The tender is for the development, construction, operation and provision all components and services (e.g. connector, card terminal & VPN access service) necessary for the connection to the telematic infrastructure for all participating medical professionals (e.g. doctors, dentists, psychotherapists, hospitals). The term "Telematik" (telematics) is a combination of the German words "Telekommunikation" (telecommunications) and "Informatik" (information technology). Telematics is concerned with networking the IT systems of doctor‘s practices, pharmacies, hospitals and health insurances, thus achieving a cross-sector information exchange. It is a closed network only accessible to those holding a healthcare professional card or a healthcare card.

The telematic infrastructure is designed in such a way that the existing informational limitations of the healthcare sector will be overcome. Medical confidentiality and the right to informational self-determination shall remain intact. The nationwide roll out for this infrastructure is scheduled to commence after thorough testing and a comprehensive evaluation, both of which should be completed in 2016. It will be designed and implemented by gematik, an organization which was founded by the leading health care provider associations as well as the health insurances of the German healthcare sector.

With a successful pilot project, the real upside comes with the full rollout (est. begin 2016) with the opportunity for CGM to sell new eGK-compliant online access products to all existing customers in Germany: ~ 44,200 doctors offices (69,400 doctors), ~ 15,000 dentists offices (19,800 dentists), ~ 4,000 pharmacies (8,000 pharmacists), ~ 100 hospitals, ~ 300 rehabilitation centers and ~ 550 social care institutions. Even more important; the Telematik Infrastructure fits perfectly with CGMs strategy to provide more products and services to its customers, such as eServices, ePrescriptions, eLabOrder, physician networks, online clinical pathways, hosting services etc.

Pharmacy Information Systems

In January, by acquiring a majority participation in the company meditec GmbH, the German market leader in point-of-sale media systems, CGM expanded its product and service portfolio for pharmacies. Meditec offers multimedia services in the pharmacy sector with the 'TeleApotheke' software as its main product. meditec and CGM already had a cooperation agreement for some years which opened up new distribution channels for 'TeleApotheke'. The main strategic objectives will now focus on further strengthening the market leadership and taking up cross-selling opportunities with existing CGM 'WinApo' customers.

Overall in the segment, the year started well despite the lower reported revenue in the first half compared to 2012. Different to last year, a more significant part of prospects and opportunities sales in 2013 were to be converted around after the Expopharm trade fair in September, an event in which CGM did not participate last year. Also, significant marketing and sales efforts were spent in the first six months to introduce new products and services such as the Prescription Scanner and WinApo TV. As expected, the pharmacy software business had a good third quarter, with product sales and order bookings reaching record highs at the Expopharm trade fair in Germany and the first time revenue contribution from the newly acquired pharmacy software business in Italy. The strong finish to the year, with 15 percent year-on-year organic growth in the fourth quarter, shows the effects of a successful Expopharm and the successful launch of new products and services to the market.

The Prescription Scanner

In the second quarter of 2013, CGM introduced the integrated prescription scan solution, WINAPO Prescription Scanner, into the German market and achieved a strong sales launch with approximately 400 scanners ordered within the few first weeks. The documentation and reviewing of prescriptions is becoming an increasingly important issue for pharmacies. The new solution, consisting of a fast HV scanner and a software module, offers increased security and saves time, thus setting the standard for efficient processes in the pharmacy. It only takes 5 seconds to scan and thoroughly review the prescription including the following: imputing entering the physician's data and active ingredient regulations, attachments of customer data, customer data synchronization as well as prescription and Noctu (surcharge for emergency prescriptions) identification.

EXPOPHARM: successful trade fair participation for CGM

After a low attendance of software providers at last year's EXPOPHARM trade fair, CGM took advantage and impressed trade fair visitors with a new booth and product innovations in September 2013. Both in terms of resonance with the public and economic results, CGM recorded excellent results. Even before the EXPOPHARM, the scanner solution WINAPO® RezeptScan proved itself as a best seller. At the trade fair, the product built on its previous success. The same can be said for the integrated design hardware WINAPO® ONE where many orders were placed directly at the stand. Further product innovations were able to convince trade fair visitors: the point of sales medium WINAPO® T.V. with its positive effect on the OTC turnover as well as innovative networking solutions which will bring branch networks and cooperatives even more economic success and data security. With its application "meineApotheke", CGM proved its solution competency in the field of smart and mobile customer communication.

CGM LIFE Pharmacy App "meineApotheke"

CGM introduced its application "meineApotheke" at the EXPOPHARM trade fair in September of 2013. In order to bring the pharmacy customers closer together with their local pharmacies, the application offers many useful functions such as a complete medication database with drug information package inserts, a medication order system as well as a pharmacy search for emergency pharmacies in the area. The main function of the product is the ordering of medications via smart phone or tablet made possible by a new eService between the patient and pharmacy. Here, the patient selects a local pharmacy where the orders are to be sent. Additionally, the user can also manage his or her own regular medications with the app and synchronize it with his or her CGM LIFE account. The free application was first developed for Android smartphones and tablets and has been available in the Google Play Store since October 2013. An iOS version will be made available in the future.

Italian Market market entry

CompuGroup Medical Italia SpA, a 100 percent subsidiary of CGM AG, signed an agreement in July to acquire a majority stake in Studiofarma S.r.l. located in Brescia (Italy) and its largest sales partner, Qualità in Farmacia S.r.l. located in Novara (Italy). Studiofarma S.r.l. develops software solutions for pharmacies in Italy and has over 7,000 customers. With a total market share of approximately 30 percent in its core market, it is the pharmacy software market leader in Italy. Qualità in Farmacia S.r.l., with its approximately 2,000 customers, is the largest distributor for Studiofarma's software. In addition to this, they also offer hardware and additional services. The total revenue for the combined operations was roughly 18.4 million Euros in 2012 with an EBITDA of approximately 1.2 million Euros.

Hospital Information Systems

In the hospital segment, the year started satisfactory with 3 percent organic growth going from the first quarter 2012 to 2013. A strong growth contributor is Poland, driven by continued successful sales and delivery of hospital information systems and the participation in a large public-sector eHealth project. In Germany and Switzerland, slightly lower short-term revenue was realized due to a delayed product launch in German social care and some projects in Switzerland with a later start-up date than originally planned. In other Eastern European markets (Czech Republic, Slovakia), a slowdown in hospital IT spending was experienced during the first quarter.

In the second quarter, Austria and Switzerland, together representing about 50 percent of CompuGroup's hospital business, had a flat year-on-year development. In Germany, representing approximately 30 percent of the hospital business, revenue contracted year-on-year due to lower low-margin hardware revenue and a further delay of a scheduled product launch for social care institutions. After this period the hospital business had a good third quarter with 7 percent year-on-year organic growth. The product launch issues in the German social care market that impacted the second quarter were solved and it was also a good quarter in Austria, the largest hospital market for CompuGroup. Even if the finish to the year was relatively weak compared to last year with fourth quarter revenue contraction, it has been a decent full year 2013 for the hospital business in a relatively slow market for add-on projects both for existing customers and new clients.

G3 strategy successfully implemented in Germany

In November 2013, the first module of CGM's newly developed hospital information software G3 was implemented in Germany. Integrated into CGM CLINICA, the CGM G3 Medication Management was deployed at Lahnhöhe Medical Center. The module covers the clinic's entire medication process, thereby increasing safety of drug therapy and reducing workload on clinic personnel. With the products CGM G3 Medication Management, CGM G3 Electronic Temperature Curve and the mobile solution, CGM G3 MIO, CompuGroup Medical offers many clinics a new perspective on how they can meet their growing requirements with secure, user-friendly and efficient systems. The G3 modules are integrated in CGM CLINICA, available in .mpa and CGM PHOENIX, but also linked with SAP IS-H and prospectively with other hospital information systems. Thus, CGM's strategy of using a modular approach to expand existing HIS' with individual CGM G3 modules is proving itself to be successful.

CGM Poland commissioned for nation-wide electronic patient record

Starting in 2014, Poland will implement a comprehensive web-based electronic patient record (EPR). The National Centre for Health Information Systems (CSIOZ), a Polish Ministry of Health entity that is involved in the development of an e-health environment for the country, has recently awarded a contract to HP to develop and deploy a digital portal for collecting, analyzing and sharing digital health records across Poland. CGM Poland acts as a sub-contractor to Hewlett Packard and to other companies working for the CSIOZ digital portal project.

The Polish government is investing millions of Euros in the project to improve patient healthcare. With all data centrally available, the treating physicians can quickly access any previous findings and current treatment options. This knowledge allows them to offer targeted treatment, which avoids unnecessary costs for the healthcare system as well as medical risks i.e. undesirable drug interactions. Physicians in both practices and hospitals can transfer data from their system to the central file and back with only a few simple clicks. Later, pharmacies, laboratories, insurances and other participants will follow suit.

MediPlanOnline nominated for innovation prize

MediPlanOnline, CGM's new web application for networked interdisciplinary medication management, has been nominated for the Elderly Care Innovation Award in 2013 in Germany. The prize is awarded by the Vincentz Network, a leading organizer of trade fairs, and recognizes outstanding ideas, products and services for the future of elderly care.

With MediPlanOnline, the subsidiary CGM SYSTEMA Deutschland offers a secure medical web application for networked interdisciplinary medication management. Here, assisted living, the home care physician and the pharmacy are networked across disciplines and the prescription management of the client is reorganized. A web-based medication plan replaces the still widespread trend of handwritten prescriptions. Through intense communication with services providers, an efficient solution for the future was developed, which improves the quality of treatment, provides transparency and contributes to increased safety in drug therapy.

Communication & Data

The Communication & Data business had a particularly strong first quarter last year which was due to especially favorable short-term market conditions in 2012. Several big drugs came off patent and this drove extra demand from generics producers wanting to introduce new products to the market during the first quarter of 2012. 2013 is a very different year in this respect, with the estimated sales volume of drugs losing patent protection being less than half of the volume in 2012, and this development clearly shows in the generics side of the Communication & Data revenue in the first quarter 2013. In addition, Germany's Federal Association of Statutory Health Insurance Physicians (Kassenärztliche Bundesvereinigung – KBV) changed the regulatory guidelines for certification of physicians' software in Germany beginning 1 July 2012. The new guidelines have put new limitations on Communication & Data products and services which again has a negative impact on revenue. The weak start to 2013 basically continued for the rest of the year. In total, revenue contracted -28 percent year-on-year which represents a major shift in this segment.

Workflow & Decision Support

Sales of CompuGroup's new drug database tool ipC3 to 3rd party software vendors were a steady source of growth during 2013. However, this was offset by declining revenue from maintenance of old administrative software applications for German insurance companies, products which were phased-out during 2013. New workflow & decision support contracts are being signed, such as the North Rhine-Westphalia Project and new CardTrust customers, but the pace of such new business is slow with long sales and implementation cycles. The new contracts were able to drive some sequential revenue improvement in the second half of 2013 but not to the level as expected at the beginning of the year.

Pharmaceutical Treatment and Safe Drug Therapy: North Rhine-Westphalia Project

In the first quarter report of 2013, CGM reported about the project "Medication Account Record NRW" which began in February. The goal of the cooperation between CGM and the University of Bielefeld Department of Health Economics and Healthcare Management is the improved pharmaceutical treatment through a personalized digital electronic medication account record. The medication account record in the project serves as the basis for a comprehensive medication safety check: directly in the practice of the treating physician, but also by the patients adding medications acquired on their own.

In key regions of North Rhine-Westphalia, over 3,000 patients consisting of an almost equal number of men and women in and about 40 physicians' practices will be enrolled in the project. With the start of patient enrollment in July of 2013, older citizens will especially benefit and receive improved safety in the prescription of medication. The participating physicians can conduct a software-supported medication safety check, where not only medications prescribed by the respective physician are considered, but rather from all treating physicians. The scientific evaluation based on the data from the patients will make the results transparent. Here, the focus will be on the aspects of gender difference. Within two years, valuable information will be generated, which will evaluate the overall success and acceptance of the project as well as uncover optimization potential.

Beginning in the fourth quarter, specialists were included in the project and all prescriptions of participating general practitioners and specialists will be recorded in the patient medication records. A special application will give patients and their families the opportunity to view their personal accounts and to add any self-acquired medications. An AMTS check will immediately inform the patient of any possible dangers in easily understandable language. The offer is complete with patient-specific reminders. Since going live, the "Medication Record NRW" has proven itself to be an innovative and market-ready solution, as evidenced by the large number of interested parties.

The first standardized physician's network software optimizes treatment quality

With the newly developed software, CGM NET, CGM in cooperation with OptiMedis AG presents the first fully integrated and standardized software for physician's networks and other treatment networks. Effective as of April 2013, the CGM NET is available to physician's networks in Germany. Key elements of CGM NET are networking software in the form of a central electronic patient record and digital treatment pathways. In the patient file, all relevant documents, whether they be diagnoses, findings or medication plans, can be accessed by all treating physicians and psychotherapists in a secure and data protection compliant manner. The treatment paths developed in the "Gesundes Kinzigtal" project or in individual networks ensure coordinated and standardized therapy within a physician's network.

The IT solution is the result of a one-year development process. Both companies involved have brought their competencies into the partnership: CompuGroup Medical Deutschland AG was responsible for the IT architecture and OptiMedis AG contributed its administration and networking routines as well as its treatment paths, all of which were developed in the "Gesundes Kinzigtal" project. The software that has been developed in close cooperation with the physicians in the Kinzig valley in South-West Germany has already been installed and tested successfully. As health care does not only take place in the physician's practice, the network must be continued towards hospitals and non-physician professionals. Both providers can already be linked to the electronic patient record.

Results of Group operations
Five Year Overview

	2013 EUR m	2012 EUR m	2011 EUR m	2010 EUR m	2009 EUR m
Group sales	459.6	450.6	397.3	312.4	293.4
Expenses for goods and services purchased	79.4	82.5	76.1	59.0	61.0
Personnel expenses	214.9	202.0	188.5	144.3	130.2
Other expenses	79.6	73.2	68.9	53.6	53.1
EBITDA	97.8	104.8	74.3	67.0	59.2
in %	*21.3%*	*23.3%*	*18.7%*	*21.4%*	*20.2%*
EBIT	56.8	64.1	37.9	33.2	24.8
in %	*12.4%*	*14.2%*	*9.5%*	*10.6%*	*8.5%*
EBT	35.2	48.4	25.7	26.5	18.3
in%	*7.7%*	*10.7%*	*6.5%*	*8.5%*	*6.2%*
Net profit	21.7	30.4	9.8	16.8	11.7
in%	*4.7%*	*6.7%*	*2.5%*	*5.4%*	*4.0%*

Revenue

Consolidated revenue in 2013 was EUR 459.6 million compared to EUR 450.6 million in 2012. This represents an increase of EUR 9.0 million and 2.0 percent respectively. Acquisitions contribute 2.2 percent to growth and organic contraction was -0.2 percent for the year. The strengthening of the EURO in 2013 reduced revenue with EUR 2.9 million compared to last year and organic growth at constant exchange rates was 0.4 percent.

In the HPS I segment, sales to third parties were EUR 320.4 million compared to EUR 304.8 million in 2012. This represents an increase of approximately 5 percent, of which approximately 2 percent is organic growth. Sales to third parties in Ambulatory Information Systems (AIS) grew at 3 percent, practically all of which is organic growth. Sales to third parties in Pharmacy Information Systems (PCS) grew at 16 percent, of which practically all comes from acquisitions.

HPS I revenue development (including acquisitions and currency effects):

EUR m	01.01–31.12 2013	01.01–31.12 2012	Change
Ambulatory Information Systems	259.1	251.8	3%
Pharmacy Information Systems	61.4	53.0	16%
Sales to third parties	**320.4**	**304.8**	**5%**
Sales between segments	7.6	10.5	
Segment sales	**328.0**	**315.3**	

Growth from acquisitions in HPS I resulted from the first-time consolidation of the following entities:

EUR m	First-time revenue 2013	Segment
Meditec (consolidated from 1 February 2013)	0.8	HPS1 (PCS)
Studiofarma/QiF (consolidated from 1 August 2013)	7.3	HPS1 (PCS)
Neurone (consolidated from 1 May 2013)	0.3	HPS1 (AIS)
Tekne (consolidated from 1 August 2013)	0.2	HPS1 (AIS)
Total	**8.6**	

In the HPS II segment, the development in Hospital Information Systems (HIS) was flat with unchanged external revenue year-on-year.

HPS II revenue development (including acquisitions and currency effects):

EUR m	01.01–31.12 2013	01.01–31.12 2012	Change
Hospital Information Systems	81.2	81.2	0%
Sales to third parties	**81.2**	**81.2**	**0%**
Sales between segments	12.9	7.6	
Segment sales	**94.1**	**88.8**	

In the HCS segment, revenue was EUR 57.7 million compared to EUR 64.4 million in 2012. This represents a contraction of approximately 10 percent, of which acquisitions contributed 2 percent to growth and the organic contraction was -12 percent.

HCS revenue development (including acquisitions and currency effects):

EUR m	01.01–31.12 2013	01.01–31.12 2012	Change
Communication & Data	22.5	29.3	-23%
Workflow & Decision Support	24.6	24.9	-1%
Internet Service Provider	10.6	10.2	3%
Sales to third parties	**57.7**	**64.4**	**-10%**
Sales between segments	4.6	5.9	
Segment sales	**62.3**	**70.3**	**–**

Growth from acquisitions in HCS resulted from the first-time consolidation of the following entities:

EUR m	First–time revenue 2013	Segment
InterM/ÄND (consolidated from 1 January 2013)	1.2	HCS (C&D)
Total	**1.2**	

Profit

Consolidated EBITDA amounted to EUR 97.8 million compared to EUR 105.0 million in 2012. This represents a decrease of EUR 7.2 million and 7 percent respectively. The corresponding operating margin (EBITDA margin) was 21 percent compared to 23 percent in 2012. In the HPS I-Segment, the EBITDA increased from EUR 97.7 million in 2012 to EUR 99.4 million in 2013. The improved EBITDA is a result from higher margins in the doctor software business in France, Italy and the Netherlands. There was also a one-time effect from the release of pension provisions in The Netherlands amounting to EUR 2.9 million. Lower revenue and weaker profits in the US worked in the opposite direction. In the HPS II segment, the EBITDA was EUR 11.7 million in 2013, up from EUR 11.0 million in 2012. With unchanged revenue, this corresponds to normal annual fluctuations in operating expenses. In the HCS segment, the EBITDA went from EUR 12.9 million last year to EUR 5.2 million in 2013. The decreasing profitability in the HCS segment is due to lower revenue in the high-margin Communication & Data business area in Germany. There is also an EBITDA effect in the HCS segment related to the first time consolidation of KoKo Connektor AG of EUR –0.7 million.

The main developments in operating expenses in 2013 were:

- Expenses for goods and services purchased went from EUR 82.5 million to EUR 79.4 million, corresponding to moderate reduction of 4 percent year-on-year.
- The increase in personnel expenses by EUR 12.9 million is attributable to the increase in the average number of employees by 270 between the two fiscal years. This is mainly due to the employees in acquired companies.
- Other expenses increased from EUR 73.2 million in 2012 to EUR 79.6 million in 2013. This is mainly due to other expenses in acquired companies.

Depreciation of tangible fixed assets increased from EUR 7.2 million in 2012 to EUR 7.4 million in 2013. This is mainly due to the first time consolidation of fixed assets depreciation in acquired companies.

The amortization figure for 2013 in the amount of EUR 33.6 million includes a one-off impairment of goodwill of EUR 1.0 million related to the Company’s subsidiary in Malaysia.

Financial income decreased from EUR 7.5 million in 2012 to EUR 4.3 million this year due largely special gains on derivative financial instruments and one-off interest income on receivables booked last year.

The financial expense increased from EUR 22.9 million in 2012 to EUR 25.9 million in 2013. Interest expense on liabilities to banks decreased slightly from EUR 14.4 million in 2012 to EUR 14.1 million in 2013, whereas the other financial expenses are mostly non-cash items arising from changes in non-EURO group internal debt and changes to purchase price liabilities. For more information about financial income and expenses, see the Notes to the Consolidated Financial Statements section, Note 27.

The effective tax rate was in 2013 unchanged at 37 percent.

After tax earnings came in at EUR 21.7 million in 2013, compared to EUR 30.4 million in 2012. This broadly mirrors the change in operating profits and profitability plus the change in financial income and expenses between the two years.

Financial position

Since the statement of financial position of 31 December 2012, total assets increased by EUR 32.8 million to EUR 684.1 million. Intangible assets represent the largest item of individual asset classes in terms of value and is virtually unchanged between the two balance sheet days (EUR 461.3 million as of 31 December 2013 compared to EUR 455.8 million as of 31 December 2012). Their share of total assets was 67.4 percent (previous year: 70.0 percent). Intangible assets primarily originated from undisclosed reserves from company acquisitions un-covered during purchase price allocations. The uncovered intangible assets mainly pertain to customer relationships, order backlog, software, brand values, and "residual" goodwill.

The largest changes to individual asset classes are a EUR 8.7 million decrease in other non-current financial assets mainly related to the consolidation of KoKo Connektor AG, a EUR 20.4 million increase in non-financial assets and a EUR 6.0 million increase in trade receivables. The increase in financial assets arises from a prepayment for the acquisition of the 'Imagine Group', which was completed post balance sheet on 16 January 2014. The increase in current trade receivables results primarily from new companies acquired and normal fluctuations. For all other assets there are only minor changes during 2013.

After consolidating EUR 21.7 million in net profit for the period from 1 January to 31 December 2013, group equity was EUR 184.7 million as at 31 December 2013, up from EUR 179.4 million as at 31 December 2012. The increase in equity comes after the effect from a EUR 17.4 million dividend paid to the shareholders of CompuGroup Medical AG and issue of own shares for EUR 2.0 million as consideration for the acquisition of Imagine Group. In addition, the equity effect from changes in currency exchange rates, changes in interest rates (actuarial losses) and change in market value of interest rate swap together amounted to EUR 2.2 million during 2013. The equity ratio decreased slightly from 27.55 percent as at 31.12.2012 to 26.99 percent as at 31.12.2013.

During the reporting period, only small changes to total current and non-current liabilities occurred going from EUR 471.9 million as at 31.12.2012 to EUR 499.4 million as at 31.12.2013. The biggest changes to individual positions are a reduction in long and short term purchase price liabilities of EUR -17.7 million and a decrease in liabilities associated with derivative financial instruments (interest rate hedging instrument) of EUR 4.4 million. Long and short-term liabilities to banks increased by EUR 52.3 million through the net assumption of new debt.

Changes in currency exchange rates reduced the net assets of the Group by EUR 1.3 million during the reporting period (previous year increase EUR 4.4 million).

Cash flow

Cash flow from operating activities during 2013 was EUR 52.3 million compared to EUR 66.9 million in 2012. The changes compared to 2012 mainly come from the following positions:

- Group net income came in at EUR 21.7 million in 2013, which is a decrease of EUR 8.7 million compared to 2012
- Other non-cash income and expenses increased by EUR 8.7 million compared to last year, up to EUR 8.6 million
- Change in provisions (including income tax liabilities) of EUR -5.3 million (2012: EUR 4.8 million)
- Change in trade receivables of EUR 0.0 million (2012: EUR 8.7 million)
- Change in trade payables of EUR 1.6 million (2012: EUR -4.7 million)
- Change in other current and non-current liabilities of EUR -6.1 million (2012: EUR 3.1 million)

Cash flow from investment activities during 2013 amounted to EUR -80.5 million compared to EUR -53.2 million in 2012 due to higher expenditures for acquisitions in 2013 compared to 2012.

Cash flow from financing activities during 2013 amounted to EUR 33.0 million compared to EUR 18.9 million in 2012. Main items which make up the financial cash flow in 2013 is the dividend distribution of EUR 17.4 million and a net assumption of loans of EUR 50.5 million.

Principles and objectives of financial management

As a general principle, CGM strives to hold as little cash and cash equivalents as practically possible, both on Group level and in the operating subsidiaries. International cash-pooling services are used throughout the Group to manage bank accounts and to optimize and use surplus cash in all group companies to reduce external debt and increase overall liquidity. The main principle of cash-pooling is to hold the top-mother account (pool-leader) in CompuGroup Medical AG – the parent entity of the Group. It is also this entity that generally holds all external debt, including flexible revolving credit facilities and short term credit lines used to manage daily liquidity across the Group.

The external debt in CompuGroup Medical AG is usually held in EURO currency and on the basis of variable interest rates. The company generally seeks to hedge the interest rate risk through interest rate swap contracts, thereby fixing the interest rates rather than exposing them to market fluctuations. Due to the international focus of the Group, incoming and outgoing payments are performed in various currencies. The Company generally strives to achieve natural hedging by its choice of locations and suppliers and at present the Company does not use any derivative financial instruments to hedge the foreign currency exposure. The development of the relevant positions is monitored regularly to ensure adequate response to significant changes in the positions.

The company does not have a specific dividend policy, but considers dividends to be tied to long-term sustainable earnings and aims to steadily increase in steps, or at least maintain, the dividend paid per year. Dividends declared and approved by the shareholders are paid annually in conjunction with the annual general meeting usually held in May.

Capital structure

CGM primarily uses debt and internally generated cash flows to finance acquisitions. The level of debt in the capital structure is seen in relationship to operating profit and the general principle is to aim for a leverage ratio (net debt to EBITDA) in the range 2.0 – 3.0. In terms of equity, the goal is to manage consolidated profits, dividends and share buy-backs to keep the equity ratio at all times above 25 percent.

As at 31.12.2013, the Group had gross debt of EUR 321.6 million and held EUR 23.3 million in cash. For more information about the liabilities to banks and the structure of debt, see the Notes to the Consolidated Financial Statements section, Note 14. During 2013, a significant amount of new financing activities took place.

In May 2013, CGM amended the EUR 330 million syndicated term and multicurrency revolving loan facilities agreement dated 22 December 2010. The acquisition basket (the accumulated net payments for acquisitions) was increased from EUR 150 million to EUR 250 million. The basket for additional financial indebtedness was increased from EUR 70 million to EUR 100 million. A flat equity covenant was introduced, corresponding to the ratio of equity to consolidated total assets not being less than the ratio of 25 percent. The definition of permitted distributions was changed so that the Company is allowed to propose a dividend in the amount of EUR 0.35 per share.

In December, CompuGroup Medical AG concluded a loan agreement for a total sum of EUR 15 million with SEB. The loan is a non-amortizing term loan facility which matures on 22 December 2015. Other terms and conditions are similar to the existing syndicated loan from 22 December 2010. The loan value at 31 December 2013 was EUR 15.0 million.

Also in December, CompuGroup Medical AG concluded a loan agreement for a total sum of EUR 30 million with Commerzbank. The loan is a revolving credit facility which matures on 22 December 2015. Other terms and conditions are similar to the existing syndicated loan from 22 December 2010. The loan value at 31 December 2013 was EUR 18.0 million.

In December 2013, CGM entered into a financial leasing arrangement with Deutsche Leasing regarding the implementation and roll-out of a group-wide standardized internal IT solution, including a universal ERP/CRM system. The planned total license and implementation costs amount to EUR 16.9 million, divided into 3 system modules and 6 project phases to be implemented until June 2016.

Finally also in December, CompuGroup Medical Deutschland AG entered into a loan agreement in the amount of EUR 10.0 million to finance the office buildings ‘Maria Trost 25’ and Karl Mand Strasse 17 with Saar LB. The mortgage loan has a term of 10 years and has a fixed interest rate of 2.85 percent. The loan value at 31 December 2013 was EUR 10.0 million.

Capital expenditures

In 2013, CompuGroup Medical's capital expenditure consisted of the following:

EUR m	2013
Acquisition of 80% of the shares in Studiofarma and Quality in Farmacia	9.8
Acquisition of 80% of the shares in Tekne, 100% of ÄND and other acquisitions	6.9
Purchase of minority interest in UCF Holding (remaining 24.9%)	8.7
Purchase of minority interest in Lauer-Fischer (remaining 12.5%)	10.0
Purchase of other minority interests	3.7
Pre-payment for the acquisition of 100% of the shares in Imagine Group	18.0
Self developed software and other intangibles	11.8
Group-wide ERP/CRM system (partial project)	5.6
Other property plant and equipment (less disposals)	6.0
Total	**80.5**

In addition to the capital expenditure listed above, CGM Lab International GmbH, a 100 percent owned subsidiary of CGM AG, entered on 21 December 2013 into an agreement, subject to certain conditions, to acquire the vision4health Group with closing due 6 January 2014. The transaction was fully financed through existing and new credit facilities put in place in December.

Liquidity

The Group is in a favorable position in terms of liquidity with a strong and stable cash flow from operations and limited need for capital expenditure to sustain the current business and organic growth. The majority of recurring revenue is based on pre-payments with a significant reduction of working capital at the beginning of the annual, quarterly and monthly periods. The company increasingly uses direct-debit for such recurring revenue payments to further increase the visibility and security of incoming liquidity. In the past, the Group has always been able to meet its payment obligations in a planned and orderly manner and the Company does not expect any liquidity problems in the future.

The strong liquidity profile of the Group has lead to the principle of holding as little cash as practically possible. To absorb normal everyday cash fluctuations, and also buffer the period pre-payments from customers, the Group held as at 31.12.2013 revolving credit facilities of EUR 170 million and other short term credit lines of EUR 23 million that are used in conjunction with the cash-pooling instruments. The unused portion of these credit facilities was EUR 44 million as at 31.12.2013.

Financial covenants have been agreed for essentially all credit facilities. If the Group breaches any of these covenants, the loans can be recalled immediately. This creates liquidity and refinancing risks, which are further described in the risk report section. To date, the Company has never breached any financial covenant in any credit agreement and has always been able to refinance its credits in a timely manner.

Financial and non-financial key performance indicators

The financial and non-financial KPIs of the internal management system for the Group are shown in the table below for 2013 and 2012.

EUR m	2013	2012	Change
Sales revenue	459.6	450.6	+9.0
Revenue growth (%)	2.2%	13.4%	-11.2%
Organic growth (%)	-0.2%	3.6%	-3.8%
Recurring revenue	306.2	290.2	+16.0
Growth in recurring revenue (%)	5.5%	n/a	n/a
EBITDA	97.8	105.0	-7.2
EBITDA-margin (%)	21.3%	23.3%	-2.0%
Cash Net Income	51.7	60.0	-8.3
Leverage (ratio)	3.03	2.39	+0.64
Return on Capital (%)	7.9%	9.0%	-1.1%
Customer base (Providers at year-end)	335,000	295,000	+40,000

As shown by most indicators above, 2013 was a weaker year than 2012. In terms of growth, zero organic growth is significantly below the historical average and also below the strategic goal for the business. The reasons behind this development are declining revenues in the United States and in the Communication & Data business area, as well as lower than average growth in Hospital Information Systems. 2013 was also a year with relatively low impact from acquisitions which further accentuates the limited growth in overall sales revenue in the reporting period. On the positive side, the growth in recurring revenue and larger customer base is a strong foundation for future growth and also underpins the sustainability objective. The customer growth comes both from company acquisitions and from sales of existing product and services to new customers. In terms of profitability and financial returns, the outcome in 2013 also came in below the previous year. A two percentage point contraction in operating margin is contrary to the long-term margin expansion objective of the Company. This development is mostly attributable to the first half of 2013 and after corrective measures had been put in place the operating margin in the last 6 months of 2013 was higher than in the same period last year. The main reasons behind the weaker margins during the first half are declining revenue and profitability in the US, adjustments made to project calculations in Sweden, declining revenue in Communication & Data as well as delays in product launches for the hospital market and within the Workflow & Decision Support area.

The increase in leverage represents the effects of acquisitions made during and towards the end of the year. The lower return on capital is a direct consequence of the lower operating profit in 2013 compared to 2012.

Employee satisfaction indicators and social commitment

Employee absenteeism due to illness remained at a low level throughout the Group in the 2013 financial year. This is an indication of a high degree of contentment and commitment among the workforce. In this context, CompuGroup Medical, in cooperation with the Company physician, regularly offers its employees the possibility of flu vaccinations, cancer screenings and eye examinations.

Since its opening on 4 September 2009, the children's daycare center – which is located in CompuGroup's Koblenz Technology Park – has met with very high acceptance, with all 32 places in this comprehensive facility being occupied as of 31 December 2013. Six experienced teachers look after the children.

In September 2012, CompuGroup Medical opened the CGM Health Center in Koblenz. The new center, which is 850 m^2 in size, offers employees a wealth of sports, preventive and health activities. The CGM Health Center was developed in conjunction with renowned fitness experts and scores highly with innovative health concepts in the work environment. For example, the strength training and endurance equipment is electronically linked, allowing employees to control and document training sessions in order to ensure safe and effective training. Employees can review their physical activities at any time and can assess their progress and adjust personal training plans together with trainers. What's more, employees can use the endurance and strength training equipment free of charge. In addition, the CGM Health Center offers a range of various classes, physical therapy and massages. CGM is continuously expanding its corporate health management program.

Thanks to the establishment of these facilities, employees now benefit from measures to ensure safety at work and to provide an ergonomic workplace, preventive medical care such as eye exams, flu shots and sports events, or from healthy nutrition in the Company's own bistro. In addition, the daycare center helps young parents to return to work.

Personnel recruitment and development

Due to a continuously rising requirement of highly-skilled specialists and managers, the recruitment of new qualified employees is an important responsibility of human resources management.

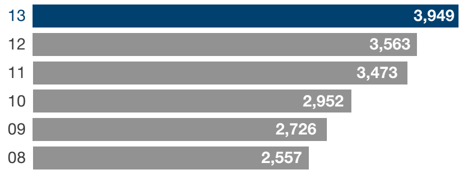
The employees of CompuGroup Medical are one of the Group's major success factors. Their high degree of identification with the Company and great commitment to its objectives is one of the most important contributions to the Company's success. The potential of all employees is wanted and nurtured on an ongoing basis by giving them a high degree of responsibility. CompuGroup Medical's employees are highly qualified and have collected a large amount of knowledge within their industry over time. This enables CompuGroup Medical to fill the majority of national and international management positions from its own ranks. This keeps existing know-how within the Company and makes it possible to expand it further. For this purpose, CompuGroup Medical has implemented various processes to be able to act effectively. CompuGroup Medical has set up its own internal Business Academy to prepare qualified employees already within the Group for a career in middle and upper management. By its nature and with respect to quality, the Business Academy of CompuGroup Medical is a unique internal continuing education facility in the area served by the Koblenz Chamber of Industry and Commerce.

In addition, CompuGroup Medical carries out a regular performance evaluation of employees in order to evaluate whether training programs are needed and in what scope. The human resources department coordinates and supports employees in the selection and performance of their individually-coordinated programs. The effectiveness of the training programs is also analyzed and measures taken to increase quality.

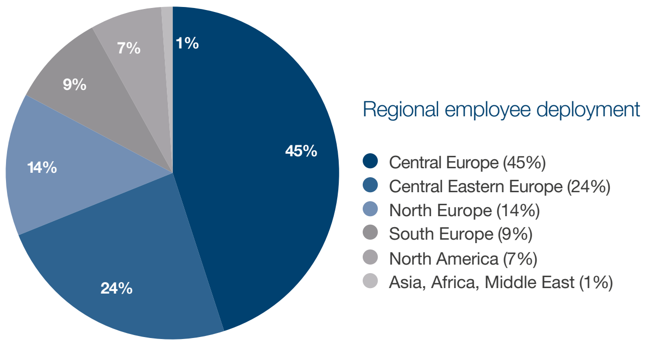
Employees

At year-end 2013, CompuGroup Medical employed 3,949 persons worldwide. Compared to the previous year, this reflects an increase of 386 employees or approximately 11 percent. With regard to the development in the number of employees for the period 2008 to 2013, the average annual increase was approximately 9 percent per year.

Number of employees 2008-2013



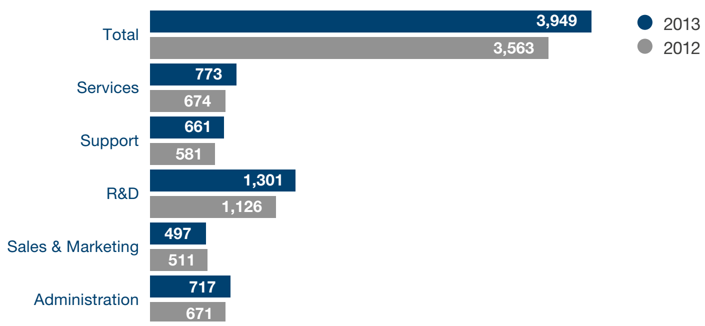
In Germany alone, which is currently the largest market, CompuGroup Medical had 1,753 employees in the 2013 financial year, representing 45 percent of the total number of employees worldwide.



A significant part of human resources management within the Group involves integrating new employees in the Group of companies. In 2013, the workforce grew primarily as a result of acquisitions.

Within the Group, employees work in Software Development, Sales, Administration, Professional Service and Support. The graph below shows the number of employees per area at the end of the reporting year in comparison to the year before:

Number of employees per area 2012/2013



Annual Financial Statements of CompuGroup Medical AG

Profit and financial position of CompuGroup Medical AG

EUR m	2013	2012
Net income from investments (income from investments and profit transfers, less expenses from transfer of losses)	36.58	45.76
Write-downs on financial assets	-11.72	0
Net interest expense (income from lending of financial assets and other interest and similar income less interest and similar expenses)	-9.01	-10.65
Net operating result (other income statement items)	-13.27	-12.09
Net result from ordinary activities	2.58	23.02
Taxes	-3.81	-15.83
Net income	-1.23	7.19

As a holding company, the Company's results of operations are largely dependent on the development of its operating subsidiaries. At EUR 36.58 million, net income from investments was down EUR 9.18 million on the previous year. The material items are described below.

Net income from investment rose by approximately 73.7 percent year on year, from EUR 1.46 million in 2012 to EUR 2.54 million in 2013. This increase was due to the EUR 0.10 million rise in the distribution of profits by CompuGroup Medical Ceska Republika (2013: EUR 1.45 million, previous year: EUR 1.35 million), a EUR 0.48 million increase in the distribution of profits by CompuGroup Medical France (2013: EUR 0.59 million, 2012: EUR 0.11 million) as well as the first-time distribution of profits by CompuGroup Medical Belgium (EUR 0.50 million).

Income from profit-transfer agreements declined by 28.49 percent year on year in the reporting period (2013: EUR 34.99 million, previous year: EUR 48.94 million) due to a EUR 5.51 million drop in income at CompuGroup Medical Dentalsysteme GmbH, a EUR 8.96 million decline in income at CompuGroup Medical Deutschland AG as well as a EUR 0.52 million rise in income at IfAp.

The transfer of profits by CompuGroup Medical Dentalsysteme GmbH declined in the reporting year (2012: EUR 9.31 million, previous year: EUR 14.82 million) due to the cessation of the previous year's transfer of profits by Intermedix Deutschland GmbH (-EUR 3.77 million) at the same time as a transfer of losses (-EUR 0.38 million), a declining net operating result (-EUR 1.10 million) and a drop in the net interest expense (-EUR 0.26 million).

The transfer of profits by CompuGroup Medical Deutschland AG declined by EUR 8.96 million in 2013 (2013: EUR 21.26 million, previous year: EUR 30.22 million). CompuGroup Medical Deutschland AG was established in 2011 following the change in the legal form of CompuGROUP Beteiligungsgesellschaft mbH in the wake of the merger of Albis Ärzteservice Product GmbH & Co. KG nebst Verwaltungs-GmbH, CompuGroup Medical Arztsysteme GmbH & Co. KG nebst Verwaltungs-GmbH, Telemed Online Service für Heilberufe GmbH, Ispro GmbH, Vita-X AG, Inmedea GmbH and CompuGroup Medical Deutschland GmbH to form CompuGROUP Beteiligungsgesellschaft mbH. Medistar Praxiscomputer GmbH and Turbomed EDV GmbH were also merged with CompuGroup Medical Deutschland AG in 2012. The drop in income at CompuGROUP Medica Deutschland AG is the result of a rise in the transfer of losses by CompuGroup Medical Software GmbH (-EUR 2.94 million), lower net interest income resulting from special revenue generated in the previous year (-EUR 1.36 million) and a drop in the net operating result (-EUR 4.66 million).

As in the previous year, the transfer of profits by ifap GmbH again recorded a slight rise in revenue and income in the 2013 financial year (2013: EUR 4.42 million, previous year: EUR 3.90 million).

Expenses from the transfer of losses declined by EUR 3.69 million in the reporting period (2013: EUR 0.95 million, previous year: EUR 4.64 million) which, as in the previous year, came from CGM Systema Deutschland GmbH. The EUR 3.69 million rise in income resulted primarily from the discontinuation of extraordinary merger losses in the amount of EUR 5.12 million compared to the previous year as well as a EUR 1.46 million rise in personnel costs in 2013.

Write-downs on financial assets amounted to EUR 11.72 million in the 2013 financial year for an impairment of loans granted by subsidiary CompuGroup Holding USA, Inc.

The following impacted net interest expenses in the reporting year:

Interest and similar expenses declined by EUR 3.02 million year on year, mainly due to reduction in the flexible interest rates of the SEB consortium credit of up to 0.75 percentage points, a EUR 1.13 million drop in interest expenses from taxes (2013: EUR 0.05 million, previous year: EUR 1.18 million) as well as a reduction in interest expenses to associated companies resulting from a drop in internal Group interest rates, which are based on the terms and conditions of the SEB consortium credit. As of 31 December 2013, IKB still had two KfW loans from 2010, each for EUR 10 million (as of 31 December 2013: EUR 8.75 million, previous year: EUR 16.04 million), as well as the loan granted at the end of 2010 by SEB for EUR 300 million, which was then converted into a consortium loan in June 2011 by taking on an additional eight banks while at the same time increasing the loan amount to EUR 330 million. The SEB loan consists of a "term loan facility" for EUR 190 million, of which EUR 30 million was repaid in both 2013 and 2012 (utilized as of 31 December 2013: EUR 130 million, previous year: EUR 160 million) and a "revolving loan facility" for EUR 140 million (utilized as of 31 December 2013: EUR 125 million, previous year: EUR 77 million). An additional SEB loan of EUR 15 million was taken out at the end of 2013 and utilized in full, as was a EUR 30 million loan granted by Commerzbank, although only EUR 18 million of this loan had been utilized by the balance sheet date. Both of these new loans are "revolving loan facilities." Interest and similar expenses to banks were composed of – in the reporting year and therefore primarily – interest payments on the IKB loan and the SEB consortium credit for the entire reporting year as well as, to a lesser extent, interest expenses for the two new loans at the end of the year. In addition, commitment fees totaling EUR 0.92 million has to be paid in the reporting year for the part of the consortium loan not utilized.

Other interest and similar income amounted to EUR 1.94 million in the financial year, down EUR 0.69 million year on year, mainly due to a drop in internal Group interest rates and the corresponding decline in interest income from associated companies. At EUR 4.98 million, income from the lending of financial assets was down EUR 0.69 million year on year, which was also primarily a result of the drop in interest rates.

The EUR 1.18 million decline in the net operating result to EUR -13.27 million was mainly due to the reduction in other operating income (-EUR 2.06 million) resulting from the year-on-year elimination of a release of valuation adjustments on receivables from associated companies in the amount of EUR 5.6 million while at the same time income from foreign exchange gains rose by EUR 3.34 million in the reporting year (2013: EUR 6.39 million, previous year: EUR 3.05 million). This effect is offset by the EUR 1.91 million rise in sales revenue. At EUR 12.22 million, personnel costs were down EUR 0.57 million year on year. Other operating expenses rose by EUR 1.83 million in the reporting period to EUR 24.29 million. The rise in other operating costs resulted from, among other things, the rise in foreign exchange losses (2013: EUR 5.85 million, previous year: EUR 3.14 million) as well as increases in IT costs (EUR 1.36 million), occupancy costs (EUR 0.43 million) and vehicle costs (EUR 0.40 million). This effect is offset by the elimination of the accounting loss of EUR 5.1 million from 2012, which was realized within the scope of the previous year's merger of Tepe International A.S. with CompuGroup Medical Bilgi Sistemleri A.S.

Income tax amounted to EUR 3.81 million in the reporting period (previous year: EUR 15.83 million). This was due to a EUR 0.96 million reduction in deferred taxes (previous year: increase of EUR 5.22 million = effect -EUR 6.18 million), a tax rebate from previous years of EUR 0.09 million (previous year: additional payment of EUR 1.63 million = effect -EUR 1.72 million) as well as lower taxes for the current year resulting from the lower amount of taxable profit.

The control of payment transactions is mainly handled by the Group's accounting department in Koblenz using a cash management system. In the operating business, cash flow from operating activities covers the Group companies' capital requirements. As in the previous year, interest on the Company's cash and cash equivalents was charged on the basis of current, non-speculative investments.

Net assets of CompuGroup Medical AG
Congruent to the Company's holding function, financial assets, at approximately 86 percent (previous year: approximately 87 percent), represent that most important balance sheet asset in terms of value, rising by EUR 19.04 million year on year to EUR 522.13 million.

This is the result of a EUR 1.3 million rise in loans to associated companies as well as prepayments made in the reporting year on investments in associated companies (EUR 20.22 million) in connection with the acquisition of interests in French companies "Imagine Editions" and "Imagine Assistance" concluded in January 2014. The rise in loans to associated companies primarily resulted from impairment of loans to the CGM US holding company and new impairment of loans to the CGM US holding company and loans to CompuGroup Medical Italia Holding S.r.l. in connection with the acquisition of majority holdings in Italian companies Studiofarma S.r.l. and Qualità in Farmacia S.r.l. in July 2013.

CompuGroup Medical AG did not repurchase any shares in the 2013 financial year. Of the 3,600,939 treasury shares held as of 31 December 2012, a total of 105,208 shares were sold within the scope of the prepayment for the shares in Imagine Group. Consequently, the Company held 3,495,731 treasury shares on reporting date 31 December 2013; as of the balance sheet date, these were entered at nominal value in a separate column in equity. The issued capital reported was therefore lower. The nominal value of the corresponding interest is reported as a reserve in accordance with Section 237 (5) Aktiengesetz (AktG – German Stock Corporation Act) (mutatis mutandis).

At 30.64 percent, the equity ratio in the reporting period was down year on year (previous year: 35.18 percent). This was largely due to the rise in the balance sheet total and the decline in capital resulting from the dividend payment of EUR 17.37 million in 2012 and the US loan impairment, which together was greater in relation to overall net profit.

Just as was the case with receivables from associated companies, liabilities to associated companies also resulted from the internal Group cash management system.

Please refer to the section titled "Results of operations and financial position of CompuGroup Medical AG" for details on liabilities to banks.

Report on post-balance sheet events

Acquisition of vision4health Laufenberg & Co

On January 6th 2014, the 100 percent owned subsidiary of CGM AG, CGM Lab International GmbH, completed a transaction to acquire the business of vision4health Laufenberg & Co., a leading innovator in software solutions for laboratory and diagnostics in Europe. With more than 200 installations in Europe, vision4health is one of the leading suppliers of laboratory information systems with some of the largest and most prestigious hospitals and private laboratory groups as reference customers. Through this agreement, CompuGroup acquires all significant assets and shares of the target group of companies, located in Germany, Switzerland, Belgium and France.

Through this acquisition, CGM has considerably strengthened its market position in laboratory information systems, thus opening new strategic options in the networking of healthcare services and providers in core home markets.

The total turnover of the vision4health group was in 2013 approximately 13 million Euros with an EBITDA of approximately 0.1 million Euros.

Report on expected developments

The business model of CompuGroup Medical, with a large installed base of loyal customers, gives a relatively high degree of visibility for future revenue and earnings. The primary source of revenue is annual software maintenance and other recurring service fees from existing customers, with an expected amount of EUR 336 million at the beginning of 2014, compared to EUR 308 million at the beginning of 2013. This corresponds to a 9 percent increase.

Total Group revenue is in 2014 expected to be in the range of EUR 510 million to EUR 520 million, corresponding to a growth rate of 11-13 percent. Acquisitions completed to date are expected to give a 7 percent growth contribution and organic growth is expected to be 4-6 percent.

Revenue in the HPS I segment is expected to be in the range of EUR 367 million to EUR 374 million, corresponding to a growth rate of 14-16 percent. Acquisitions completed to date are expected to give a 10 percent growth contribution and organic growth is expected to be 4-6 percent. Total revenue in Ambulatory Information Systems, including the first time consolidation of revenue from the vision4health, Imagine Group, Tekne and Neurone acquisitions is expected to be in the range of EUR 294 million to EUR 300 million in 2014. Organic growth in Europe is expected to be above the segment average, driven by new value-added products and services sold to existing customers and the Telematik Infrastruktur project in Germany. In the United States, a flat year-on-year revenue development is expected due to a transition to a more subscription based business model and the ending of some legacy product lines. In Pharmacy Information Systems, organic growth is expected to be similar to the segment average (i.e. 4-6 percent). Including the first time consolidation of the Studiofarma and Qualità in Farmacia acquisitions, total revenue is expected to be in the range of EUR 73 million to EUR 74 million in 2014.

Revenue in the HPS II segment is expected to be in the range of EUR 80 million to EUR 82 million, corresponding to an organic growth rate of 0-2 percent. The slowly growing market for add-on projects for existing customers and new clients experienced during 2013 is expected to continue also in 2014.

Revenue in the HCS segment is expected to be in the range of EUR 58 million to EUR 59 million in 2014, which is a flat year-on-year development. Within Communication & Data, revenue contraction as experienced of over the last 5 years is expected to continue also in 2014, this year at around 10 percent and expected Communication & Data revenue of approximately EUR 21 million in 2014. Declining revenue in Communication & Data comes both from regulatory pressure and changing priorities within pharmaceutical producers which is the main customer group.

The positive developments experienced in Workflow & Decision Support towards the end of 2013 are expected to continue in 2014 and this business area is expected to grow about 10 percent with revenue in the range of EUR 26 million to 27 million in 2014.

Internet Service Provider revenue is expected to grow strongly (approximately 50 percent) with revenue reaching approximately EUR 16 million in 2014 driven by the consolidation of the company KoKo Connektor AG and their participation in the Telematik Infrastruktur project in Germany.

In terms of profitability, 2014 is expected to be a year of investment with no margin expansion relative to 2013. Operating margin (EBITDA margin) is expected to be in the range of 20-21 percent and will be influenced by:

– Integration of several newly acquired companies which also may incur certain one-off restructuring expenses.
– Investments in product and service line expansion related to the Telematik Infrastruktur project in Germany. Making this project a success is critical for the future growth prospects of CGM and the company will invest what it takes to ensure a successful outcome of this transformational initiative
– Continued high R&D investments in the G3 HIS 'fast-track' and G3 AIS projects. Completing the first R&D cycle and bringing this Group-wide technology platform to the market during 2014 is a key foundation for growth and efficient operating structures in the future
– Continued investments in product and service improvements, sales and marketing in the United States. No material operating profit is expected from this market in 2014 and any further progress on revenue will be re-invested in growth initiatives
– Direct expenses related to the roll-out of a single group-wide fully standardized ERP, CRM and CPM system. This solution will greatly increase group-wide transparency and control and enhance the ability to standardize workflows and performance management across the group in the future.

Depreciation of fixed assets is on Group level expected to be approximately EUR 8 million in 2013 and amortization of intangible assets is expected to be approximately EUR 34 million, of which EUR 30 million will come from amortization of purchase price allocations related to past acquisitions. The corresponding Group earnings before interest and tax (EBIT) is in 2014 expected to be in the range of EUR 58 million to EUR 68 million.

The 2014 forecast of the most important financial and non-financial KPIs of the internal management system are shown in the table below.

(EUR '000)	2014 forecast	2013 outcome	Change
Sales revenue	510 – 520	460	+50 – 60
Revenue growth (%)	11 – 13%	2%	+9% – 11%
Organic growth (%)	4 – 6%	0%	+4% – 6%
Recurring revenue	336	306	+30
Recurring revenue growth (%)	10%	6%	+3%
EBITDA	100 – 110	98	+2 – 12
EBITDA margin (%)	20 – 21%	21%	-1% – 0%
Cash Net Income	54 – 60	52	+2 – 8
Return on Capital (%)	7.4 – 8.6%	7.9%	-0.5 – 0.7%

Looking at the fiscal year 2015 and beyond, Group EBITDA and Group earnings after taxes are expected to record higher growth rates compared to revenue. As a market leader in Europe, and with a significant business in the United States, the company is ideally positioned to benefit from changes in healthcare systems all over the world with demand for software solutions and IT services less sensitive to economic climate. As such, CompuGroup Medical does not expect permanent or long-lasting deterioration of the market conditions in the future. Our strategy is based on a highly resilient business model with high margins and high proportion of recurring revenue from software maintenance and related services combined with high costs for customers to switch and technological barriers preventing competitors to enter the market.

Overall assessment (guidance)
In summary, CompuGroup Medical offers the following guidance for 2014:

– Group revenue is expected to be in the range of EUR 510 million to EUR 520 million.
– Group operating income (EBITDA) is expected to be in the range of EUR 100 million to EUR 110 million.

The foregoing outlook is given as at March 2014 and does not include revenue and costs associated with potential and currently undetermined further acquisitions during 2014. The outlook for 2014 represents management's best estimate of the market conditions that will exist in 2014 and how the business segments of CompuGroup Medical will perform in this environment.

Guidance for CompuGroup Medical AG
Investment income is expected to develop in line with the planned positive growth in the Group. Net interest income is expected to remain at the 2013 level. The Company therefore expects a profit from ordinary activities between EUR 29.0 million and EUR 39.0 million for the local GAAP (HGB) financial statements for 2014. For 2015, no significant changes are expected.

Risk Report

As an internationally operating Company, CompuGroup Medical is subject to a variety of different risks. CompuGroup Medical is aware of the necessity to enter into risks, which also enable the Company to capitalize on opportunities.

The risk management system of CompuGroup Medical is implemented in all Group companies and in all the individual business units. A significant component of the risk management system is the Group-wide early warning system, for example in the form of internal benchmarking, cost efficiency nalysis and performance gap analysis related to Key Performance Indicators. An Internal Audit function was created during 2013, of which responsibility includes the review of the adequacy, effectiveness and efficiency of risk management. Within the framework of good corporate governance, the internal control system also operates alongside and in support of the risk management system.

The risk reporting system encompasses the systematic identification, quantification, documentation and communication of risks. Corresponding foundations, processes, and responsibilities within risk management are documented in guidelines distributed and used throughout the Group. New and relevant experience gained during risk management work is being used to update the guidelines and processes to ensure continuous improvement of the risk management system. One of the important objectives of the risk management system is to give management the ability to identify and assess risks that endanger the growth and going concern of CGM at an early stage and to support in the design of corrective measures to minimize the impact of risks.

The deliberate taking of calculated risk positions within our risk management system is an unavoidable part of running our business. Risks that endanger the going concern of the Group may not be taken and the risk management system helps management avoid such risk positions. If this is not possible then such critical risks must be minimized or proactively transferred, for example by obtaining appropriate insurance. Risks are controlled and monitored at the level of individual companies, at business area level and at Group level.

We see potential future developments or events that could lead to a negative impact on the financial results and the current year earnings forecast of CGM as part of our risk picture. The assessment of the identified risks in this area is essential for the one-year forecast horizon of CGM.

The annual risk reporting process begins by using checklists to identify all major risks within defined risk areas. CGM has defined eight risk areas as follows:

- Strategic risks
- Economic and political risk
- Operational risks
- Financial risks
- Regulatory risks
- Personnel risks
- Data processing risks
- Project risks

We evaluate the identified risks in a two stage process according to probability of occurrence and potential loss. Here, the gross loss is initially estimated by the responsible risk manager of individual Group companies. Furthermore, measures for risk prevention and minimization as well ways of risk transfer are proposed by the risk managers. Risk identification and risk assessment is supported by senior management in the relevant company or business area and also by the responsible regional financial officer "Head of Finance". The locally collated risks are then analyzed by the Group-level controlling function. After completion of the analysis of identified, reported and rated risks, risk aggregation and overall assessment is performed by the Group controlling function. The analytical procedures used for the aggregation and analysis of risks are based on a method similar to Monte Carlo simulation and an Operational Value-at -Risk analysis.

The risk aggregation resulting from the Monte-Carlo type simulation provides potential damage value for each risk class, each risk category and for the summary of all risks to the Group. The damage value is understood as the potential expected annual loss (at-risk entry). The Operational Value-at-Risk method provides information on the potential maximum annual loss for each risk class, each risk category and for the summary of all risks to the Group.

The subsequent risk reporting is done directly to the Chief Financial Officer of CGM AG, who again informs the Management Board and the Supervisory Board about the risk situation of the Group. In the event of unforeseen material changes, the CFO will be informed immediately and he in turn has the task to inform the Management Board and the Supervisory Board about such unforeseen developments. The coordination of the whole process and the analysis of the inventoried risks is the responsibility of the Group Controller. A comprehensive risk report is submitted from the Group Controller to the Management Board on a quarterly basis.

For the period from 1 January 2013 to 31 December 2013 the risks within the eight areas were reported to the Management Board. According to the quantity of the reported risks, the following ranking shows the risk areas in order of importance for the Group:

1. Operational risks
2. Strategic risks
3. Regulatory risks
4. Financial risks
5. Economic and political risk
6. Personnel risks
7. Project risks
8. Data processing risks

The risk reporting process is supported by an intranet-based database which ensures transparent communication throughout the Group. For the 2014 financial year, it is planned that the Internal Audit function periodically will assess the quality and function of our risk management system. As part of the annual audit in 2013, an external audit of the structure and function of our risk management system in accordance with section 317, paragraph 4 German Commercial Code (HGB) was performed, confirming that it is suitable to detect ahead in time developments that threaten the going concern of the Group.

Operational risks
This risk area includes risks associated with research and development, markets and customers. The analysis of expected potential annual loss for all identified operational risks is approximately EUR 7 million (previous year: EUR 14 million). The potential annual maximum damage within this category inside a 95 percent confidence interval amounts to approximately EUR 25 million (previous year: EUR 38 million), with a 5 percent probability that there may be a higher, unexpected damage.

Research and development
Generally, there is always a risk that products and modules will not be able to be realized within the specified time frame as well as the adequate quality and cost budget constraints. To avoid this risk, the Group conducts systematic and regular reviews of project progress and compares the results at hand with the initially set targets. In case of deviations, measures can then be taken to compensate for impending damage. Due to the broad range of our research and development activities, it is not possible to identify a risk concentration on specific products, patents or licenses.

Market and customer risks
Due to the complexity and significant legal requirements of our products, the distribution of sales and service partners entails certain risks. To also ensure that quality requirements are also complied with by the sales and service partner, special trainings will be offered. The selection of the sales and service partners is subject to strict requirements.

The e-health market is characterized through strong competition and extensive saturation of the market. This intensive competition can lead to price erosion for our products and services as well as to increasing expenses to ensure customer loyalty and attraction. In the current financial year, CompuGroup Medical expects, as in the past financial year, consistently good business development with manageable risks which could have an impact on the profit situation.

Strategic risks
This risk area includes risks which can endanger the target achievement due to an insufficient orientation of the Company to the respective market environment. The analysis of expected potential annual loss for all identified strategic risks is approximately EUR 6 million (previous year: EUR 10 million). The potential annual maximum damage within this category inside a 95 percent confidence interval amounts to approximately EUR 18 million (previous year: EUR 22 million), with a 5 percent probability that there may be a higher, unexpected damage.

Strategic risks may result from an inadequate strategic decision-making process, from unforeseen market developments or from a faulty implementation of the chosen corporate strategy. For CompuGroup Medical, the strategic direction of the Group is set at board level and subjected to regular reviews.

- Essential for CompuGroup Medical are risks associated with changes in the healthcare market. This mainly concerns the development of new products and services by competitors, the financing of health care systems and reimbursement in the health care sector.
- The e-health market is characterized by rapidly changing technologies, the introduction of new industry standards and new software introductions and new functionalities. This can lead to existing products and services becoming obsolete and therefore losing their competitiveness.

- Regulatory changes or the introduction of new industry standards, could affect the market positioning of CompuGroup Medical to the extent that the offered products and services no longer completely adhere to these new statutory requirements or industry standards.

The future success of CompuGroup Medical will partially depend on the ability to improve existing products and services to respond in a timely manner to the introduction of new products from competitors, and to meet changing customer and market requirements.

Furthermore, CompuGroup Medical would be saddled with additional costs for product development as a result of products and services quickly becoming obsolete, which could lead in adverse effects on net results.

Regulatory risks
This risk area includes risks related to law and politics. The analysis of expected potential annual loss for all identified regulatory risks is approximately EUR 3 million (previous year: EUR 3 million). The potential annual maximum damage within this category inside a 95 percent confidence interval amounts to approximately EUR 19 million (previous year: EUR 16 million), with a 5 percent probability that there may be a higher, unexpected damage.

Risks related to law and politics
CompuGroup Medical's business activities are strongly influenced by the regulatory environment in the public healthcare systems of the individual national markets and thus also by the market structures that are formed by these regulations. The regulatory structure of the European healthcare sector, which is the Company's primary market at this time, is based on regulations, such as the laws and directives issued by the respective national states and/or by supra-national structures, the latter primarily enacted by the European Union and/or quashed or amended by court decisions. In particular, CompuGroup Medical hereby faces the risk that amendments to existing or the adoption of new regulations at a national or supra-national level (the latter primarily referring to the EU level) may adversely affect market conditions relevant to CompuGroup Medical and thus have a detrimental impact on the business activities of the Group or its individual subsidiaries. Exact projections with regard to the introduction and extent of potential amendments to national and supra-national regulations or their impact on the markets that are important for CompuGroup cannot be made as the introduction and extent of such regulations depend on the political process in the individual countries, and the subsequent impact of such regulations is strongly influenced by the reaction of the respective, affected market participants.

There are currently no known or threatened legal disputes in existence that might have a significant impact on the financial situation of the Group.

CompuGroup Medical is greatly dependent on its proprietary information and technology. However, risk that may arise from the illegal use of intellectual property cannot be fully eradicated. CompuGroup believes that the currently available options are sufficient to protect its intellectual property rights in order to prevent illegal use, which could lead to significant quantitative and qualitative damaged.

Although the license agreements with customers prohibit the misuse of the source code or other trade secrets, there is a residual risk that source code or trade secrets could arrive into the possession of third parties so that they benefit from them illegally. It is also conceivable that third parties thereby are able to develop independently similar or superior products, which are corresponding to the technology or design around the proprietary rights of CompuGroup Medical. Considering the present situation, we class this risk as low.

Financial risks
This risk area includes risks associated with liquidity and refinancing risks, currency risks, acquisition risks and control risks. The analysis of expected potential annual loss for all identified financial risks is approximately EUR 3 million (previous year: EUR 4 million). The potential annual maximum damage within this category inside a 95 percent confidence interval amounts to approximately EUR 14 million (previous year: EUR 14 million), with a 5 percent probability that there may be a higher, unexpected damage.

Liquidity and refinancing risks
Business models that are not exclusively financed through equity capital generally face the risk that the leveraged portion of the business is dependent on the given refinancing situation in the capital markets. As a precaution against this specific risk factor, CompuGroup Medical implemented a support structure that is based on credit lines with national and international Company-affiliated banks.

The syndicated loan (EUR 330 million – for details see Group notes) covers the Group's basic capital requirements. It is composed of a term loan and a revolving loan. CompuGroup Medical has another credit line (current account with a EUR 17,245,800 million limit) as well as bilateral credit lines that are used for covering its short and medium-term liquidity requirements from operating activities and for expenses resulting from the Group restructuring measures, so as to provide additional capital if and when required.

Financial covenants have been agreed for the syndicated loan. If the Group breaches any of these covenants, the loan can be recalled immediately. This creates liquidity and refinancing risks. An additional short-term liquidity risk results from the risk of misjudgments during working capital planning that could mean that trade receivables and liabilities may not be collected or paid on time.

Corporate Treasury prepares a rolling one-week liquidity plan to monitor and manage short-term liquidity risks. Short-term fluctuations in working capital requirements are monitored on a daily basis and can be offset with bilateral credit lines. Short and medium-term structural liquidity requirements can generally be met by drawing on the revolving credit line.

Strict working capital management, whose methods and targets are regularly evaluated and adjusted, if necessary, also serves to manage short-term liquidity risks.

The medium-term liquidity risk is monitored and managed with the help of 12-month liquidity planning. Compliance with the financial covenants is consistently monitored as part of planning and the results are regularly reported to both management and the banks. For details on the financial covenants, please refer to the respective sections in the Group notes.

Essentially, CompuGroup Medical considered changes in interest rates as the primary market risk. The risk management strategy therefore aims to balance out all relevant fair value and cash flow risks. Keeping in mind that most of the long-term financial liabilities of the Company are closed on the basis of variable interest rates, an interest rate risk occurs, especially for cash flows. To hedge this risk, the Company has entered into several swap contracts for part of the variable-interest financial liabilities, and therefore fixed the interest rates, rather than exposing them to market fluctuations. Through the closing of interest rate swaps, a limitation of the interest rate risk on cash flows and steady payments can be ensured.

Despite all the preventive measures taken, it is not possible to entirely prevent certain refinancing interest rates that the Company must pay from undergoing unfavorable developments or refinancing through leverage from being refused in the medium term. Considering our current situation, there is no evidence that future refinancing or, generally, an increase in leverage might be subject to risk out of the ordinary.

Further financial risks refer to the risk of bad debt losses. Due to the diversified markets and customer structure of the Group, no agglomeration risks are evident. Given the high creditworthiness of the majority of our customers, the long-term average of bad debt risk is generally low.

Currency risks
Due to the international focus of the Group, incoming and outgoing payments are performed in various currencies. The Group conducts a comparison and balancing of payment streams in the individual currencies. The Company generally strives to achieve extensive natural hedging by its choice of locations and suppliers. At present, the Company does not use any derivative financial instruments to hedge the foreign currency exposure. The development of the relevant positions is monitored regularly to ensure adequate response to significant changes in the positions.

The Company plans to further develop its presence in the national and international market, through such means as the acquisition of companies. In this process, acquisitions are prepared and analyzed with the greatest possible care and diligence. Nonetheless, every acquisition carries its own inherent risk, which, if encountered, may have an impact on the Group's results.

Acquisition risks
CGM is planning to grow also in the future in the national and international markets, including growth through acquisitions, Acquisitions are prepared with the greatest possible care and diligence. Nevertheless, a risk is generally associated with any acquisition, which in the case arising, may have impact on the Group's results.

A significant part of assets from a Group perspective are the intangible assets which were purchased by acquisitions. In accordance with mandatory applicable accounting standards, the goodwill is evaluated at least annually, and other assets are also to be evaluated, in the case of so-called "triggering events". If an impairment of assets results from such a valuation, a corresponding adjustment to the carrying amount of these assets to the determined fair value less cost to sell has to be carried out. Hereby, many different parameters like changes in legislation or the competitive environment can have a significant impact on the value of these intangible assets. If intangible assets are subject to any impairment losses, these have to be recognized, which leads to a corresponding reduction of the net results.

Tax risks
The risk that the tax authorities may carry out an audit and demand backdated tax payments for which the Company has not recognized any or only insufficient provisions cannot be completely excluded. Considering the present situation, CompuGroup Medical has recognized sufficient provisions for general risks from ongoing tax audits.

Macroeconomic risks
This risk area includes risks arising from political changes and the influence of macroeconomic developments. The analysis of expected potential annual loss for all identified macroeconomic risks is approximately EUR 3 million (previous year: EUR 3 million). The potential annual maximum damage within this category inside a 95 percent confidence interval amounts to approximately EUR 12 million (previous year: EUR 13 million), with a 5 percent probability that there may be a higher, unexpected damage.

The products and services offered by CompuGroup Medical are currently marketed in 43 countries. Both the development of business relations in these countries as well as the business activity itself is associated with the usual risks for international business dealings. This is in general and in particular related to the existing general economic or political situation of the single countries, the diversity of different tax systems, legal barriers in terms of import and export restrictions, competition regulations and laws for the use of the Internet or restrictions for the development and deployment of software products and services.

CompuGroup Medical counteracts these risks by regularly consulting with local lawyer's offices and tax advisors in countries where it is entering the market or conducting further business activities and by communicating with local public authorities. In general, risks that may arise from changes in macroeconomic factors can never be excluded completely.

Personnel risks
This risk area includes risks arising from the concentration of business-relevant expertise to individual employees, staff turnover, staff over-and-under utilization, poor working environment, etc. The analysis of expected potential annual loss for all identified risks in this area is approximately EUR 2 million (previous year: EUR 6 million). The potential annual maximum damage within this category inside a 95 percent confidence interval amounts to approximately EUR 9 million (previous year: EUR 13 million), with a 5 percent probability that there may be a higher, unexpected damage.

To a large degree, the economic success of the Group is related to the management and strategic leadership of previous and current Management Board members as well as to a few Company employees in key positions. Despite the fact that there are, aside from Management Board members, additional employees who perform management tasks, it can be safely assumed that in the event of individual persons leaving the circle of key position holders, the business activities of the Company as well as the results and financial position would be negatively impacted.

The Group considers the performance of its employees to be essential for its growth and development. Thus, the Group is in competition with other companies for highly qualified specialists and executives. As a result, the Group offers an attractive compensation system as well as individually tailored continuing education to win employees and retain them over the long term. Currently, no significant risks are known that may have an impact on the recruitment of specialists and executive personnel, and that could thus endanger the growth targets we have set.

CompuGroup Medical considers its employees to be an integral part of the Group's public image. In the event of non-compliance with the ethical principles firmly anchored in CGM's management culture, risks may arise through possible negative effects on the image and good reputation of the Company. A temporary higher probability of risk by non-compliance with CGM's principles may arise in the case of newly-acquired companies.

Risk from project business
This risk area includes risks arising from non-compliance with agreed timelines, missing or inadequate staff resources, lack of or inadequate material resources, lack of customer acceptance of the project deliverables etc. The analysis of expected potential annual loss for all identified risks in this area is approximately EUR 2 million (previous year: EUR 2 million). The potential annual maximum damage within this category inside a 95 percent confidence interval amounts to approximately EUR 8 million (previous year: EUR 7 million), with a 5 percent probability that there may be a higher, unexpected damage.

The Company makes part of its sales in the project business. There are longer time periods between the order assignment and the payment for the order, during which the Company has to take care of advance payments. The risk the Company faces in these periods is specifically the credit risk of its customers. Furthermore, the risk the Company faces in the project business is the continuous need for new orders/ projects to be able to generate the necessary sales volume or sales volume growth. Resulting from the extremely high initial implementation costs of software solutions and the resulting long-term product life cycle, the HPS II business segment is especially exposed to the risk that profitable new business may take a long time to materialize. Hence, the Company strives to establish long-term business relationships with its customers, often by taking over software maintenance, in order to be a contact partner and to be able to participate in the bidding process when new orders/ projects are awarded. Risks may also arise when the market is not sufficiently monitored, resulting in an inadequate bidding and order pipeline. In the absence of new business and the expiration of software maintenance contracts, the Company may suffer a loss in sales, which would have a negative impact on the Group's results.

In the reporting period, CGM has started the largest internal IT and organizational project in the history of the Group. The project is named 'OneGroup' and entails the standardization and optimization of roles, structures and processes in all our companies and business areas world-wide based on a centralized SAP IT platform and other integrated IT solutions. All existing internal IT solutions will be migrated to this platform once the new solution is finished and proven. From this project, there are risks of non-compliance with agreed timelines, start-up problems, etc. that can result in corresponding financial risks.

Data processing risks
This risk area includes risks arising from a lack of coordination and alignment of IT strategy with corporate objectives, insufficient data in IT systems, inadequate documentation, etc. The analysis of expected potential annual loss for all identified risks in this area is approximately EUR 1 million (previous year: EUR 1 million). The potential annual maximum damage within this category inside a 95 percent confidence

interval amounts to approximately EUR 5 million (previous year: EUR 5 million), with a 5 percent probability that there may be a higher, unexpected damage.

CompuGroup Medical's customers use the Company's products and services to store, process and transmit highly confidential information about the health of their patients. Due to the sensitivity of this information, security features are very important as an integral part of our products and services. If despite all efforts the security features offered by CompuGroup Medical products do not work in an orderly manner, claims for damages, fines, penalties and other liabilities due to a violation of applicable laws or regulations could arise. Also, extensive costs to rectify any deficiencies and re-engineering to prevent such vulnerabilities in the future could arise. Moreover, the image of CompuGroup Medical as a trustworthy business partner could suffer severe damage.

Representation of the overall risk position
Adding all risk areas together, the level of potentially expected total annual loss for the Group is EUR 28 million (previous year: EUR 43 million). The potential annual peak damage at Group level within a 95 percent confidence interval is EUR 109 million (previous year: EUR 128 million), with a 5 percent probability that there may be a higher, unexpected damage.

After evaluation of the currently identified existing risk positions, the continued existence of the CGM AG and the Group is not compromised. The resulting accumulated potentially expected annual total damage could be covered by the anticipated operating cash flows of the Group.

Internal control system and risk management system relevant for the consolidated financial reporting process
In our financial reporting, there is a risk that the consolidated annual and interim financial statements contain errors and misrepresentations that may have a significant influence on the decisions of their addressees. Our accounting-related internal control system (ICS) aims to identify possible sources of error and to minimize the resulting risks. It encompasses the financial reporting throughout the Group. In this way, we can provide assurance that the consolidated financial statements are prepared according to statutory rules. The following disclosure of the financial reporting process conforms to Section 289 (5) and Section 315 (2) No. 5 of the Handelsgesetzbuch (HGB – German Commercial Code) in accordance with the German Accounting Modernization Act (BilMoG), effective 29 May 2009. The main features of CompuGroup Medical AG's existing internal control system and the risk management system in relation to the (Group) financial reporting process can be described as follows:

- Within CompuGroup Medical, a clear management structure and enterprise structure is implemented. Key regional and sector functions are controlled centrally through CompuGroup Medical AG. Operationally active subsidiaries have a high level of individual responsibility. A clear separation of functionalities is ensured in the areas of "Group Accounting", "Controlling", "Financial Accounting", "Human Resources", "Internal IT", "Risk Management", "Procurement" and "Investor Relations", which are involved in the financial reporting process. Responsibilities are clearly defined.
- The departments involved in the financial reporting process are in line with the quantitative and qualitative requirements defined by the Group.
- Financial accounting, with the exception of the majority of German and French subsidiaries, which are centrally managed via the CGM AG, is decentralized. The local subsidiaries sometimes in turn provide bookkeeping and other financial functions for its subsidiaries or affiliates. As the parent company of the Group, CGM AG performs key tasks in the field of accounting and finance, e.g. the Group consolidation, the accounting treatment of pension provisions in Germany, accounting for business combinations and the impairment tests of recognized goodwill. CGM AG furthermore performs the administration, accounting and monitoring of financial instruments, transaction banking, cash management and the calculations and disclosures related to the German tax group. External service providers and advisors are consulted in this respect.
- An internal directive written according to Company requirements is implemented (among other things a Group-wide accounting directive, risk management directive and research and development directive). The financial systems used are protected against unauthorized access by adequate security mechanisms. The financial systems used are mostly standard software.
- To ensure a Group-wide analysis and control of income relevant risk factors and risks that endanger the continuing operations of the Company, the Group uses standardized planning, reporting, control and early warning systems and processes.
- Group Accounting, in particular, is centrally organized and pools the Group's (global) information in one place. The subsidiaries' segment managers/company managers, and ultimately the Management Board, continuously monitor Group Accounting's reporting activities.
- CGM AG uses a Group-wide reporting system for the preparation of financial statements. This system is also used for the preparation of budgets and forecasts. All consolidated subsidiaries use this system which forms the basis for a standardized data reporting process in the Group
- The members of the Board of CGM AG take an internal balance-sheet oath for the external full-year reporting and sign the Responsibility Statement. They thus confirm that the prescribed accounting standards have been complied with and that the figures give a true and fair view of the assets, financial and earnings position.
- A review of the financial reporting process is performed. An internal audit department was established during the reporting period to perform such reviews
- Required financial reporting processes are subject to regulated analytical tests. The Group-wide risk management system is regularly updated in line with current developments and its adequacy reviewed in terms of quantity and quality. To comply with the standards for the Group financial reporting processes, the function of regional responsibility through the position "Head of Finance" is implemented Group-wide. These regional financial managers report in all finance-related and accounting-related areas directly to the Chief Financial

Officer of CGM AG. The Chief Financial Officer shall inform the Management Board and the Supervisory Board on critical or high-risk subjects and advises on corrective measures as needed. Other special departments involved in the financial reporting process to implement the activities and / or tracking of actions involved are "Group Accounting", "Group Controlling", "Financial Accounting", "Human Resources", "Internal IT", "Risk Management", "Procurement " and " Investor Relations ". Furthermore, a regular review of complex and significant changes in underlying accounting-related topics (e.g. receivables management, impairment test, balance sheet analysis for compliance with the financial covenants and the sustainability of further acquisitions and initial consolidation of subsidiaries). The impact of accounting-related risks is evaluated for their influence on financial reporting by means of impact analysis (e.g. forward-looking balance sheet simulation). This also includes the analysis of the measures introduced to limit identified risks, including the effectiveness of the measures.
- For key issues in accounting, risk management and the audit mandate of the auditor, the Supervisory Board has established an Audit Committee.

For all main financial reporting processes, a “four-eye principle” is applied.

The accounting-related internal control and risk management system, whose main features have been described earlier, ensures that corporate balance sheet issues are properly recorded, processed, assessed and incorporated in the external accounts. Group Accounting is a central function and as such monitors all these processes. It is monitored in turn by the CFO and Audit Committee.

A strict organization, Company, control and monitoring structure forms the basis for efficient work processes. The staffing and equipment of the accounting-related areas in accordance with the requirements of the Group ensure effective and accurate work, in terms of both personnel and material. Legal and corporate directives and guidelines ensure that a unified and proper financial reporting process is implemented within the accounting-related areas. The clear delineation of responsibilities and various control and verification mechanisms ensure correct accounting and reliable handling of potential Company risks. Here, the task of the Group-wide risk management system, which is in accordance with the statutory requirements, is to identify risks at an early stage and to assess and communicate them appropriately.

Report on Opportunities

More and more data is being recorded in the health care system – in hospitals, at the family doctor, within health insurance companies and elsewhere. Patients are documented, classified and categorized according to their medical issues. At the same time, doctors want to share accurate, detailed findings from their colleagues. Everything done with the aim to provide patients with optimal, case-specific treatment. At the same, indications and treatment options are more differentiated and therefore more complex than ever before. The “human memory capacity” is inherently limited and it is increasingly difficult to always for healthcare providers to have all necessary information readily available.

For over 25 years, CompuGroup Medical has helped its customers to get rid of annoying bureaucracy and paper work and made important medical information available when and where needed. In this way, physicians and health care professionals are relieved and more time is created for what matters most: the patient. For this purpose, information exchange and interaction between general practitioners and specialists, hospitals, pharmacies and other participants in health care is of paramount importance.

Operative opportunities

Technological leadership and innovation

CGM is well positioned to remain at the forefront of technology and innovation going forward. As an experienced first-mover, market leader and constant innovator, CGM’s level of technical expertise is considered the highest in the industry. In addition to customer retention, technical expertise acts as another high barrier to entry. This is particularly true for hospital systems where technical implementation is highly complex and only trusted to those with the requisite expertise, resources and track record. Switching costs for hospitals are also particularly high given the high execution risks in term of technical changes, data migration and user re-training.

Organizational and process-related improvements

“OneGroup” is the largest internal IT and organizational project in the history of CGM. Behind this project lies the standardization and optimization of roles, structures and processes in all our companies and business areas world-wide, based on a single centralized IT platform. All other existing internal IT solutions will be migrated and phased out once this standardized solution is ready and proven. In this way, we can create a synthesis of all our collective knowledge with perfect industry benchmarks and represent this in one single place in the form of an IT solution. We will use the power of information technology to organize, automate, and synchronize our business processes in a live global system. In this way we ensure that we ultimately address our markets with one unique, uniform and highly customized approach in areas like marketing, sales, support, professional services and other customer facing activities. In the background, the finance, HR and other back-office functions provide perfect support with perfect transparency for managers to make qualified decisions and assist the front-line colleagues to improve even further. Through a fully standardized IT-based organization, we can increase our operational efficiency, improve profitability, grow faster and enhance our customer satisfaction

Strategic opportunities

Leading market position for Ambulatory Information Systems (AIS)

CGM is the leader in the German market for Ambulatory Information Systems, as well as one of the leading AIS providers in Denmark, France, Sweden, Norway, Austria, Italy and the Czech Republic. As a result of the scale achieved in the AIS business, CGM has broad and central access to a large pool of doctors in private practice, which has a number of significant benefits. It places CGM in a key strategic position where it can be a first-mover in other efficiency-improving areas of healthcare. One such example is in the connectivity market, where the value and success of connecting doctors, hospitals and other healthcare participants is closely related to the number of participants.

The more participants a network has, the more attractive it will become for other potential participants to join and subsequently pay for services. CGM's ability to access its existing doctor base provides it with a substantial competitive advantage in this area. Also, the AIS business is predominantly marked by long-term service and software maintenance agreements and is therefore distinguished by stable, mostly recurring revenues. These regular revenues form a stable basis for financing investments and developing new products and services.

Consumer Engagement

Consumers do many things online because it is convenient and saves time. CGM is shaping the healthcare revolution: with us, doctors and patients are in direct contact with each other – whether it is about an appointment request, a prescription renewal, an online consultation or requesting findings. More and more patients would like to be familiar with and manage their own medical data. We design solutions which allow patients to electronically merge and manage information from all treating physicians. The patient then decides which doctor(s) he makes his medical data available to. Confidential remains confidential – here, only CGM offers the highest safety standard.

Software Assisted Medicine

Our response to the increasingly more extensive demands on the "Healthcare System" is: Software Assisted Medicine (SAM): SAM links physicians, patients and payers and assists in the implementation of crucial initiatives into practice. The physician receives information about signs of a rare disease earlier – and he receives it precisely at the moment the patient is sitting in front of him. SAM helps in viewing the whole patient at the decisive moment, and thereby ensures optimal care.

Financial opportunities

Acquisitions are essential for both strengthening existing market positions and entering into new markets. In the last five years CGM acquired and successfully integrated more than 30 companies. This proves the Company's strong track record in acquiring new businesses.

Opportunities related to law and politics

The demand for IT solutions is universal across all healthcare systems in Western industrial countries given the same challenges being faced of aging populations and increasing treatment costs. Accordingly, CGM's business model is transferable to many different international markets, particularly given its long-standing experience. As a result of this, CGM has been able to increase its geographical diversity and currently is present with offices in 19 countries and customers in 43 countries across Europe, North America, Asia and Africa.

Personnel opportunities

Successful and experienced management team

CGM benefits from a strong team of managers that are well respected as leaders in the e-Health industry. The team is led by Chairman and CEO Frank Gotthardt who founded CompuGroup Medical in 1987 and has grown it into a worldwide leading enterprise. Supporting Mr. Gotthardt is a strong, experienced cadre of managers, all who have been active in the industry for more than a decade. This includes Christian B. Teig (Chief Financial Officer) and Uwe Eibich (Executive Vice-President Central Europe).

Attractive employer

The strong motivation, skills and creativity of our employees are the main sources of our success. Therefore, a sound education and the regular development of each individual are critical factors for our future. In 2013, CGM employed 74 trainees in Germany in areas ranging from office assistants to IT-specialist. Two thirds of all apprentices in 2013 were given a job offer from CGM after successful completion of final exams. The staff development concept of CGM includes seminars, language courses, on-the-job training and a modular development program for young professionals . A good balance between work and private life is a crucial basis for employee satisfaction and performance – to the benefit of employees and the company. With a daycare center being operated at the office campus in Koblenz CGM is actively promoting the reconciliation of work and family. In this center, up to 32 children are cared for by experienced educators since 2009.

Data processing opportunities

Every day, our customers are faced with new technology requirements: they must implement necessities such as electronic patient records or increase the electronic exchange of information with colleagues. To save costs, for example, many doctors outsource administrative tasks to external service providers. All with the same result: the healthcare sector is increasingly demanding of them to network. This, however, increases the risk of data protection. With CGM doctors act safely and responsibly. Patient data is already encrypted inside the practice and hospital – before transmission to external networks. Any personal identification reference is removed and the data is encrypted so that unauthorized access is impossible. The security technologies from CGM are TÜV-certified and often patented.

Overall picture of opportunities

CGM is in a perfect position. In CGM, we use the power of modern information technology to improve efficiency, reduce costs, optimize workflows and increase the quality of care. Healthcare is a market in growth – even when times are bad – and CGM is one of the leading eHealth companies in the world. With our unique customer base, we serve hundreds of thousands of doctors, dentists, hospitals and pharmacies world-wide we get the best of both worlds: Structural, long-term growth opportunities and strong and robust defensive properties. eHealth truly is the 'cherry on the cake' when we talk about an early stage business with a big potential.

No significant changes in the Group's opportunities happened during the reporting period compared to the previous year.

Takeover-related disclosures

Information Pursuant to Section 315 (4) Commercial Code

Composition of subscribed capital

The share capital of CompuGroup Medical AG amounts to EUR 53,219,350 and is composed of 53,219,350 no-par bearer shares with the security identification code 543730 (ISIN: DE0005437305). Since 4 May 2007, the shares have been traded on the regulated market on the Frankfurt Stock Exchange (Prime Standard). Taking into consideration the treasury shares held by the Company in the amount of 3,495,731 shares, the voting capital comes to 49,723,619 common shares.

Restriction pertaining to voting rights or the transfer of shares

Restrictions of voting rights of the shares can result from the provisions of the German Companies Act (Aktiengesetz, hereinafter AktG). This primarily results in shareholders being subject, under certain conditions, to a voting prohibition and, in accordance with Section 71b AktG, the Company is not entitled to vote on the basis of its treasury shares.

The shareholder group of the "Gotthardt family/Dr. Koop" consisting of the natural persons Frank Gotthardt, Dr. Brigitte Gotthardt, Dr. Daniel Gotthardt and Dr. Reinhard Koop as well as the affiliated legal entities attributable to them hold a total of more than 50 percent of the voting shares.

Two effectively separate concluded pooling agreements, first between Frank Gotthardt, GT1 Vermögensverwaltung GmbH, Dr. Brigitte Gotthardt and Dr. Daniel Gotthardt, and secondly between GT1 Vermögensverwaltung GmbH and Dr. Reinhard Koop, result in the attribution of 11,894,423 shares to the share pool, reflecting 23.97 percent of shares with voting rights. The purpose of both pooling agreements is, among other things, to safeguard a consistent exercise of voting rights with respect to the shares of CompuGroup Medical AG. Frank Gotthardt as well as GT1 Vermögensverwaltung GmbH hold additional shares which are not attributable to the share pool. Due to the high probability of a consistent exercise of the voting rights according to the terms of the share pool, a proportion of voting rights of 54.17 percent can be assumed.

The treasury shares reported in the Company assets do not have voting rights.

Interests in capital exceeding 10 percent of the voting rights

In addition to the major shareholder group Gotthardt family/Dr. Koop mentioned above, no further investors held more than 10 percent of voting rights as of the reporting date.

Shares with special rights that confer control powers

No shares with special rights that confer control powers have been issued by the Company.

Nature of voting-right controls in the event of employee participations

The Management Board is not aware of any Company employees holding interests in the Company in some manner in which they do not exercise their control rights directly for themselves.

Legal provisions and provisions of the articles of association concerning the appointment and dismissal of members of the Management Board and concerning amendments to the articles of association

Sections 84 and 85 AktG apply to appointments and dismissals of members of the Management Board. Sections 179 to 181 AktG are to be applied to amendments to the articles of association.

Powers of the Management Board for issuance and repurchase of shares

Authorized capital

With the approval of the Supervisory Board, the Management Board is authorized to increase the equity of the Company by up to EUR 26,609,675.00 through a one-time or multiple issuance of new shares for cash and/or in-kind capital contributions until 11 May 2016 (approved capital). In utilizing approved capital, the shareholders must in principle be granted a subscription right; however, the Management Board is also authorized, with the approval of the Supervisory Board, to exclude the statutory subscription right of the shareholders under certain conditions. Furthermore, the Management Board was authorized, with the approval of the Supervisory Board, to determine the further details for capital increases from authorized share capital.

Authorization to purchase and use (including withdrawal) of treasury shares

By resolution of the Annual General Meeting on 19 May 2010, it was terminated and replaced by a new authorization. According to Section 71 (1) No. 8 AktG, which was amended by the Gesetz zur Umsetzung der Aktionarsrechterichtlinie (ARUG – Law on the Implementation of the Shareholder Rights Directive), an authorization is now allowed to last up to five years.

This authority may be exercised in full or in part, on one or more occasions, to achieve one or more objectives by the Company or by third parties on the Company's behalf. The authorization took effect on 20 May 2010 and remains valid until 19 May 2015.

At the discretion of the Management Board, the purchase will be made via the stock exchanges or by a public buy offer made to all shareholders or by a public request to all shareholders to issue offers for sale.

(1) If the share purchase is performed on the stock exchange, the purchase price for one share may not be more or less than 10 percent of the Company's unweighted average share price, as calculated by the closing auction of the Xetra trading system (or a corresponding successor system) on the Frankfurt am Main stock exchange in the five trading days prior to the purchase date.

(2) If the share purchase is performed through a public purchase offer to all shareholders or through a public invitation to all shareholders to submit sales offers, the purchase price for one share (without ancillary purchase costs) may not be more or less than 20 percent of the Company's unweighted average share price, as calculated by the closing auction of the Xetra trading system (or a corresponding successor system) on the Frankfurt am Main stock exchange in the five trading days prior to the public notification of the invitation to submit such an offer.

(3) The purchase offer or invitation to submit sales offers may stipulate further conditions. If the purchase offer is oversubscribed or, in the case of an invitation to submit sales offers of several equivalent offers, not all offers are accepted, the shares must be allocated proportionately to the shares respectively offered. A preferential acceptance of low numbers of tendered shares up to 100 shares per shareholder and rounding in accordance with commercial principles could be foreseen.

The Management Board is entitled to utilize the purchased treasury shares as follows:

(1) With the approval of the Supervisory Board they may be sold on the stock exchange or offered to all shareholders. In addition, with the approval of the Supervisory Board they may be sold by another means provided the consideration for the sale is in cash and the sales price at the time of the sale is not significantly lower than the share price for the same class share on the stock exchange. The total proportion of the shares sold under this authorization in relation to the total share capital, together with the proportion of the share capital of new shares that have been issued since the shareholders' resolution for this authorization, i.e. since 19 May 2010, due to any authorizations for share issues from authorized capital in accordance with Section 186 (3) Sentence 4 AktG, may not exceed 10 percent of the Company's share capital.

(2) With the approval of the Supervisory Board they may be offered and transferred to third parties for the purposes of direct or indirect acquisition of companies, Company shares or equity investments in companies.

(3) With the approval of the Supervisory Board they may be offered and sold as consideration, so that the Company or one of its subsidiaries are issued copyright or third party intellectual property rights by third parties, particularly patents or brands, or licenses to such rights, for the marketing and development of CompuGroup Medical products.

(4) The shares may also be utilized to exercise options arising from share options granted by the Company.

(5) In addition, with the approval of the Supervisory Board, they may also be cancelled without the need for an additional Annual General Meeting. The proportion of the remaining shares in relation to share capital will not be increased by a cancellation. Notwithstanding the above, the Management Board can determine that equity is not reduced, but instead the percentage of the other shares in equity is raised in accordance with Section 8 (3) AktG. In this case, the Management Board is entitled to amend the number of shares stated in the articles of association.

The authorizations previously issued in accordance with (1) to (5) may be used on one or more occasions, in full or in part, individually or collectively, and the authorizations in accordance with (1) to (4) may be used pursuant to instructions issued by the Management Board but also by dependent companies or companies in which the Company holds a majority stake, or third parties acting on the Company's account.

The subscription right of the shareholders to treasury shares is excluded insofar as these shares are used according to the above authorizations in numbers (1) to (4).

Authorization to issue convertible bonds, bonds with warrants, profit participation certificates or profit participation bonds (or combinations of these instruments) with the option of excluding subscription rights pursuant to Sections 221 (4) and 186 (3) Sentence 4 AktG and the creation of corresponding conditional capital (amendment to the articles of association)

According to the resolution of the Annual General Meeting of 9 May 2013, the Management Board was given the authorization to issue convertible bonds (and similar instruments) and corresponding conditional capital. The authorization is limited to a volume of EUR 500 million.

The Management Board of CompuGroup Medical AG was authorized to exclude shareholders' subscription rights on convertible bonds (and similar instruments). In order to ensure that the authorization limit can be used to the full extent, even in the case of later adjustments to conversion or warrant prices, the conditional capital serving to fulfill conversion rights, warrants or conversion or warrant obligations is to amount to EUR 26,609,675.00. However, in the event of the exclusion of subscription rights on bond issues pursuant to Section 186 (3) Sentence 4 AktG, the shares to be issued for the purpose of the serving of conversion rights, warranty or conversion or warrant obligations may not exceed 10 percent of the equity capital either at the point at which the subsequent authorization comes into force or – should the number of shares be lower – at the point at which the authorization is exercised.

(1) Authorization period, nominal value, number of shares, term, contribution in kind, currency, issuance by Group companies

According to the resolution of the Annual General Meeting of 9 May 2013, the Management Board of CompuGroup Medical AG was authorized, with the consent of the Supervisory Board, to issue registered or bearer convertible bonds, bonds with warrants, profit participation certificates or profit participation bonds (or combinations of these instruments) (hereinafter referred to collectively as “Bonds”) amounting to a total principal amount of up to EUR 500 million on one or more occasions up to and including 8 May 2017, to grant bearers or rather creditors (hereinafter referred to collectively as “Bearers”) of the Bonds conversion rights and warrants on Company shares with a proportionate share in equity capital of up to EUR 26,609,675.00 in accordance with the terms and conditions of the Bonds (hereinafter also referred to as “Bond Terms and Conditions”) and to place conversion and warrant obligations on these Bonds. The Bonds, conversion rights, warrants and conversion and warrant obligations may be issued with no maturity limitations. The Bonds can also be issued in return for a contribution in kind. The Bonds can be issued in euros and in the official currency of an OECD member country, provided that the corresponding euro equivalent is not exceeded.

(2) Granting or exclusion of subscription rights

In principle, shareholders are entitled to subscription rights on the Bonds. Subscription rights may also be granted indirectly whereby Bonds are assumed by one or more credit institutions or by equivalent companies pursuant to Section 186 (5) Sentence 1 AktG with the obligation to offer said subscription rights to shareholders.

However, the Management Board of CompuGroup Medical AG is authorized to exclude shareholders' right to subscribe to the Bonds with the consent of the Supervisory Board:

- in the case of fractional shares;
- to the extent necessary to grant subscription rights to the holders of previously issued Bonds with conversion rights, warrants or conversion or warrant obligations on Company shares in the amount to which they would be entitled after their conversions rights or warrants have been exercised or conversion or warrant obligations met;
- to the extent in which Bonds are issued with conversion rights, warrants or conversion or option obligations in return for cash and the issue price is not significantly lower than the theoretical market value calculated in accordance with recognized financial and mathematical methods and only insofar as the shares issued to serve conversion rights, warrants or conversion or option obligations do not exceed 10 percent of the equity capital either at the point at which the subsequent authorization comes into force or – should the number of shares be lower – at the point at which the authorization is exercised. It is also declared that the authorization volume of 10 percent of equity capital is reduced by the proportion of the equity capital attributed to shares or on which conversion rights, warrants or conversion or warrant obligations from Bonds are based, which have been issued or sold under the exclusion of subscription rights in direct, corresponding or logical application of Section 186 (3) Sentence 4 AktG;
- insofar as the shares are issued in return for contributions in kind, provided that the value of the contribution in kind is appropriate in relation to the market value of the Bonds as calculated pursuant to the preceding paragraph.

Insofar as profit participation certificates or profit participation bonds are issued without conversion rights, warrants or conversion or warrant obligations, the Management Board is authorized to exclude the shareholders' subscription rights in full with the consent of the Supervisory Board if these profit participation certificates or profit participation bonds feature terms similar to those of a debenture, in other words do not grant any membership rights within the Company or grant any share in liquidation proceeds and the level of interest is not determined in line with profits on the basis of net income, net profit or dividends. In this case, the interest and the issue value of the profit participation certificates or profit participation bonds must conform to the current market conditions for equivalent assumption of capital at the time of the issuance.

(3) Conversion right
In the case of the issuance of Bonds with conversion rights, Bearers may convert their Bonds into shares in the Company in accordance with the Bond Terms and Conditions. The proportion of equity capital of the shares to be issued upon conversion may not exceed the nominal value of the Bond or a lower issue price. The conversion ratio is determined by dividing the nominal value of a Bond by the fixed conversion price of a share in the Company. The conversion ratio can also be calculated by dividing the issue price of a Bond underlying the nominal value by the fixed conversion price for a share in the Company. A fixed additional contribution to be paid in cash can also be determined. It can also be stipulated that fractional shares can be aggregated and/or exchanged for cash.

(4) Warrant
In the case of the issue of bonds with warrants, each Bond is issued with one or more detachable warrants which entitle the Bearer to subscribe to shares in the Company in accordance with the Bond Terms and Conditions. It can also be stipulated that fractions be combined and/or exchanged for cash. The proportion of equity capital of the shares to be subscribed to for each Bond may not exceed the nominal value of the bond with warrant or rather an issue price below the nominal value.

(5) Conversion and warrant obligation
The Bond Terms and Conditions can also stipulate a conversion or warrant obligation at the end of the Bond's term or at another point in time (also known as "maturity"). In this case, the conversion or warrant price for a share can correspond to the mean closing price of the listed Company in the Xetra securities trading system on the Frankfurt Stock Exchange (or a corresponding subsequent system) over the ten days prior to or following maturity, even if this price is below the minimum price stipulated in (6). Section 9 (1) AktG is to be complied with in conjunction with Section 199 (2) AktG.

(6) Conversion/warrant price, prevention of dilutive effects
The conversion or warrant price is either – in the case of the exclusion of subscription rights – at least 60 percent of the mean closing price of the Company shares in the Xetra securities trading system on the Frankfurt Stock Exchange (or a corresponding subsequent system) over the ten days prior to or following the resolution by the Management Board concerning the issue of Bonds or – in the case of the granting of subscription rights – at least 60 percent of the mean closing price of the Company shares in the Xetra securities trading system on the Frankfurt Stock Exchange (or a corresponding subsequent system) either (i) over the ten trading days prior to the start of the subscription period or (ii) during the trading of subscription rights apart from the final two subscription rights trading days. Section 9 (1) AktG remains unaffected by this.

If, during the term of a Bond for which conversion rights, warrants or conversion or warrant obligations have been granted or rather stipulated, the financial value of existing conversion rights, warrants or conversion or warrant obligations is diluted and no subscription rights are granted in the form of compensation, conversion rights, warrants or conversion or warrant obligations can be adjusted while preserving their value provided that such an adjustment is not already required by law. In all cases, the proportion of the equity capital of all shares to be subscribed to per Bond may not exceed the nominal value per Bond or rather the lower issue price.

(7) Further options
The Bond Terms and Conditions can stipulate that the Company may also grant new shares from approved capital or Company shares in the case of conversion rights or warrants being exercised. The Bond Terms and Conditions can also stipulate variability in terms of the conversion ratio or a direct link between the conversion or warrant price and the development of the Company's share price on the stock exchange. Furthermore, it can also be stipulated that, rather than issuing shares in the Company, the Company pays those eligible to exercise conversion rights or warrants the equivalent in cash.

(8) Authorization to stipulate further terms and conditions for bonds
The Management Board of CompuGroup Medical AG is authorized, with the consent of the Supervisory Board, to stipulate further terms and conditions concerning the issue and structure of bonds, particularly interest rate, type of interest, issue price, term, denomination and conversion or warrant terms.

Creation of new conditional equity
Equity is increased by up to EUR 26,609,675.00 through the issue of up to 26,609,675 new bearer shares with dividend entitlement from the start of the financial year of their issuance. The purpose of the conditional equity increase is to grant shares to bearers or creditors of convertible bonds, bonds with warrants, profit participation certificates or profit participation bonds (or combinations of these instruments) with conversion rights, warrants or conversion or warrant obligations issued in accordance with the aforementioned authorization insofar as the bonds are issued in return for cash.

The new shares are issued at the conversion or warrant price to be determined in accordance with the aforementioned authorization. The conditional equity increase is only to be performed to the extent to which conversion rights or warrants are exercised on the basis of Bonds issued in return for cash or to which conversion or warrant obligations are met on the basis of such bonds and provided that no other forms of fulfilment are used to service these rights.

In accordance with the resolution of the Annual General Meeting of 9 May 2013, the Management Board of CompuGroup Medical AG is authorized to stipulate further terms and conditions of the conditional increase of equity.

Amendment to the articles of association

On the basis of the resolution of the Annual General Meeting, Section 4 (6) was added to the Company's articles of association: "Equity is increased by up to EUR 26,609,675.00 (in words: twenty-six million six hundred and nine thousand six hundred and seventy-five euros) through the issue of up to 26,609,675 new bearer shares with dividend entitlement from the start of the financial year of their issuance (conditional equity 2013). The conditional equity increase is only performed to the extent to which bearers or creditors of convertible bonds, bonds with warrants, profit participation certificates or profit participation bonds exercise their conversion rights or warrants on the basis of Bonds the Company issues in return for cash up to and including 8 May 2017 as a result of the authorization resolution of the Annual General Meeting from 9 May 2013 or to the extent to which conversion or warrant obligations are met on the basis of such bonds and provided that no other forms of fulfilment are used to service these rights."

The previous Section 4 (6) of the Company's articles of association becomes Section 4 (7) of the Company's articles of association and reads as follows: "The Supervisory Board is entitled to change the wording of Section 4 (1), (2), (5) and (6) of the articles of association (amount and distribution of equity, approved capital, conditional capital) accordingly after a full or partial increase of equity or after the expiry of the authorization period in accordance with Section 4 (5) of the articles of association."

Significant agreements of the Company under the condition of a change of control and compensation agreements with the Management Board or employees in the event of a takeover offer

With respect to reporting obligations under Section 315 (4) No. 8 and 9 of the German Commercial Code (HGB), we herewith make a nil report with the following exception:

Should there be a "change-of-control" of the Group, Mr. Christian B. Teig may terminate his contract by the month-end and receive a severance payment of up to EUR 1.2 million. According to this provision, change-of-control is defined when Mr. Frank Gotthardt and his family have in total less than 30% of the shares of Compugroup Medical AG, or any other natural or legal person control more shares in Compugroup Medical AG than Frank Gotthardt and his family.

Share Repurchase Programs

Within the scope of its share repurchase program started on 09 July 2012, which authorized the purchase of up to 1,000,000 own shares, CGM AG did not acquire any own shares in the reporting period. In connection with the acquisition of Imagine Group, CGM AG made a partial pre-payment, with the approval of the Supervisory Board, in the form of a transfer of 105,208 treasury shares in December 2013.

As of the end of the reporting period, CompuGroup Medical held 3,495,731 own shares or around 6.57 percent of equity capital.

Remuneration system

The compensation report of CompuGroup Medical presents the principles for establishing Management and Supervisory Board compensation as well as the amounts and structure involved.

Compensation of the Management Board

Total compensation of members of the Management Board comprises results-independent and results-dependent components. The level of compensation is mainly dependent on the responsibilities of the particular Management Board member, his or her personal performance, and the economic situation of the Company. In addition, the success and future prospects of the Company in the appropriate field of comparison are important criteria in determining the compensation. The components of the results-independent compensation are a fixed salary and fringe benefits, while the results-dependent compensation components consist of management bonus payments.

The fixed salary, a base compensation independent of performance, is paid out monthly as salary. In addition, the members of the Management Board receive fringe benefits in the form of in-kind compensations, which consist essentially of the use of a Company car. The use of a Company car is taxable due to its attribution as a component of compensation for each member of the Management Board.

The results-dependent compensation depends on goals agreed individually with each Management Board member, including goals measured over a multi-year period (long-term incentive). For all Management Board members, the long-term incentive is based on goals related to organic growth and consolidated EBITA. The (quantitative and qualitative) targets on which the calculation of bonus payments is based and their weighting are focused on sustainable Company management in accordance with Section 87 AktG.

Loans were not made to members of the Management Board during the reporting year. No member of the Management Board received benefits or corresponding commitments from a third party in the past financial year in consideration of his or her activity as a member of the Management Board. There are no pension commitments to any of the members of the Management Board.

On 14 December 2011, the Supervisory Board of CompuGroup Medical AG appointed Christian B. Teig for a second four year term as CFO, starting 1 October 2012 and ending 30 September 2016. In addition to an annual fixed salary of EUR 300,000, Christian B. Teig has been granted a results dependent compensation of up to EUR 300,000 per year, composed of two equal components each with a maximum of EUR 150,000 per year. The first performance-based remuneration component depends on the achievement of individually defined goals for each annual fiscal year. The second performance-based compensation component is measured by the average EBITA and average organic growth in the financial year and the previous period. As fringe benefit, Christian B. Teig is also entitled to a company car with a net purchase price up to EUR 120,000. At the same Supervisory Board meeting, the validity period for the 375,000 share options with strike price of EUR 5.50 per share held by Christian B. Teig was extended until 31 December 2016. Mr. Teig can execute the share options at any time before this date (American Options) without further conditions. Should Christian B. Teig during the contract period become permanently disabled, the service contract is terminated six months after determination of incapacity. In the event of termination by the Company, Mr. Christian B. Teig receives a severance payment in the amount of up to EUR 1,200,000 or the amount of the total compensation that would be payable for the remaining term of the employment contract after the early termination. The service contract also includes a change of control clause (section “Information required by § 315 Section 4 of the German Commercial Code”). In the event of a change of control, Christian B. Teig has the right to cancel his contract within one month to the end of the month and the aforementioned severance payment shall be paid in full.

On 7 March 2012, the Supervisory Board of CompuGroup Medical AG appointed Uwe Eibich for a second four year term as Executive Vice President Central Europe, starting 1 January 2013 and ending 31 December 2016. In addition to an annual fixed salary of EUR 300,000, Uwe Eibich has been granted a results-dependent compensation of up to EUR 200,000 per year. The performance-related remuneration depends on the achievement of individually defined goals for each annual fiscal year. Furthermore, Mr. Uwe Eibich is entitled to an additional performance-based compensation over the contract term of up to EUR 400,000. The second performance-based compensation component is measured by the average organic growth in the region “Central Europe” over the period of appointment, which must amount to at least 4% per annum. With an average organic growth of 12% per annum, a target achievement of 100% applies. Uwe Eibich is also entitled to a company car with a net purchase price up to EUR 120,000. Should Mr. Uwe Eibich during the contract period die or become permanently incapacitated, the fixed annual salary and the variable portion of compensation for a period of three months will be paid (death benefits to beneficiaries). In the event of termination by the Company, Mr. Uwe Eibich receives a severance payment equal to the pro rata compensation due until the end of his term. The severance payment is limited to a maximum amount of EUR 600,000.

On 30 January 2013, the Supervisory Board of CompuGroup Medical AG appointed Frank Gotthardt for a new four and a half year term as CEO, starting 1 July 2013 and ending 31 December 2017. In addition to an annual fixed salary of EUR 660,00, Mr Frank Gotthardt is entitled to a performance related remuneration depending on the average EBITA and average organic growth rate in the fiscal year and the following two years. Because the contract term is limited to the end of 2017, the period of averaging is reduced from fiscal year 2016. In the last year of his term (fiscal year 2017), the amount of the bonus depends also on the level of recurring revenues, which must be higher in fiscal year 2018 than in fiscal 2017. Otherwise, the bonus for the fiscal year 2017 is educed proportionally. Should Mr Frank Gotthardt during the contract period die or become permanently incapacitated, the fixed annual salary and the variable portion of compensation for a period of three months will be paid (death benefits to beneficiaries).

Management Board compensation 2013

Name	Fixed compensation EUR	Performance-rated compensation EUR	Fringe benefits EUR	Total compensation EUR
Gotthardt, Frank	630,000	644,000	0	1,274,000
Eibich, Uwe	300,000	91,771	34,991	426,762
Teig, Christian B.	300,000	174,829	38,415	513,244
Total	**1,230,000**	**910,600**	**73,406**	**2,214,006**

The declaration of performance-related compensation for Christian B. Teig contains a correction of EUR -107,921 between the previous year’s figure (EUR 225,000) and the amount actually paid during 2013.

Comparison: Management Board compensation 2012

Name	Fixed compensation EUR	Performance-rated compensation EUR	Fringe benefits EUR	Total compensation EUR
Gotthardt, Frank	600,000	1,595,000	0	2,195,000
Eibich, Uwe	200,000	200,333	27,783	428,116
Teig, Christian B.	225,000	225,000	5,873	455,873
Total	**1,025,000**	**2,020,333**	**33,656**	**3,078,989**

Compensation of the Supervisory Board
There was no change in the composition and functions of the Supervisory Board in the 2013 financial year.

The compensation of the Supervisory Board was established by the Annual General Meeting and is regulated by Section 16 of the Company's articles of association. The compensation is geared to the functions and the responsibilities of the members of the Supervisory Board as well as to the Group's economic success.

The compensation of the Supervisory Board is based on an annual fixed amount. In the past financial year, there was no change in the amount of compensation of the individual members of the Supervisory Board compared to the previous year.

The chairman of the Supervisory Board receives one and a half times the compensation granted to the other members of the Supervisory Board. Accordingly, the Chairman of the Supervisory Board receives a fixed amount of EUR 60 thousand while all other members receive EUR 40 thousand each. All other expenses arising from the members' activities on the Supervisory Board are also recompensed (notably travel expenses). This results in the following allocation for the reporting year:

Supervisory Board compensation 2013

Name	Supervisory Board compensation EUR
Prof. Dr. Steffens, Klaus	60,000
Dr. Esser, Klaus	40,000
Dr. Gotthardt, Daniel	40,000
Prof. Dr. Hinz, Rolf	40,000
Lange, Mathias	40,000
Glass, Ralf	40,000
Total	**260,000**

Supervisory Board compensation 2012

Name	Supervisory Board compensation EUR
Prof. Dr. Steffens, Klaus	60,000
Dr. Esser, Klaus	40,000
Dr. Gotthardt, Daniel	40,000
Prof. Dr. Hinz, Rolf	40,000
Lange, Mathias	40,000
Glass, Ralf	40,000
Total	**260,000**

Additional compensation is paid to employee representatives on the Supervisory Board for activities outside the Supervisory Board at arm's length terms and conditions. No individual disclosures are made in this respect as these payments are deemed as not being of a material nature.

Dependency Report
Pursuant to § 312 AktG, the Board has submitted to the Supervisory Board the prescribed report on relations with affiliated companies (dependency report), including the declaration pursuant to § 312 para 3 of the AktG. The corporation has, based on the circumstances that were known to the Board at the time at which the transactions were made, received an appropriate consideration for each such transaction. Reportable actions according to § 312 AktG are not present.

Consolidated Statement of Financial Position

as at 31 December 2013

Assets

	Notes	31.12.2013 EUR '000	31.12.2012 EUR '000
Non-current assets			
Intangible assets	(1)	461,311	455,812
Property, plant and equipment	(2)	60,968	60,196
Interest in affiliates (valued at-equity)	(3)	637	646
Other investments	(3)	130	128
Trade receivables	(6)	8,915	8,773
Other financial assets	(7)	1,831	10,520
Derivative financial instruments	(18)	6,056	4,417
Deferred taxes	(4)	1,764	3,754
		541,612	**544,246**
Current assets			
Inventories	(5)	4,166	3,317
Trade receivables	(6)	74,975	68,991
Other financial assets	(7)	2,723	3,939
Other non-financial assets	(8)	28,357	7,941
Income tax claims	(4)	8,396	3,732
Securities (recognized as profit or loss at fair value)	(9)	165	165
Cash and cash equivalents	(10)	23,339	18,953
		142,121	**107,038**
Non-current assets qualified as held for sale	(11)	381	0
		142,502	**107,038**
		684,114	**651,284**

(The appended notes are an integral part of the consolidated financial statements)

Equity and Liabilities

	Notes	31.12.2013 EUR '000	31.12.2012 EUR '000
Equity	(12)		
Subscribed capital		53,219	53,219
Treasury shares		-20,292	-20,903
Reserves		155,842	147,063
Capital and reserves allocated to the shareholder of the parent company		**188,769**	**179,379**
Minority interests		-4,102	28
		184,667	**179,407**
Non-current liabilities			
Pensions	(13)	10,278	10,880
Liabilities to banks	(14)	278,108	222,733
Purchase price liabilities	(15)	2,573	602
Derivative financial instruments	(18)	7,852	12,285
Other financial liabilities	(18)	1,333	3,112
Other non-financial liabilities	(18)	2,979	3,041
Deferred taxes	(4)	42,497	45,716
		345,620	**298,369**
Current liabilities			
Liabilities to banks	(14)	43,514	46,580
Trade payables	(16)	22,902	17,428
Income tax liabilities	(4)	14,611	19,929
Other provisions	(17)	23,269	21,431
Purchase price liabilities	(15)	9,394	29,038
Other financial liabilities	(18)	6,050	9,755
Other non-financial liabilities	(18)	33,885	29,347
		153,625	**173,508**
Liabilities related to assets held for sale	(11)	203	0
		153,828	**173,508**
		684,114	**651,284**

(The appended notes are an integral part of the consolidated financial statements)

Consolidated Income Statement

	Notes	2013 EUR '000	2012 EUR '000
Sales revenue	(19)	459,555	450,582
Capitalized in-house services	(20)	9,651	6,610
Other income	(21)	2,512	5,403
Expenses for goods and services purchased	(22)	-79,352	-82,518
Personnel expenses	(23)	-214,941	-201,951
Other expenses	(24)	-79,649	-73,172
Earnings before interest, taxes, depr. and amortization (EBITDA)		**97,776**	**104,954**
Depreciation of property, plants and tangible assets	(25)	-7,373	-7,207
Earnings before interest, taxes and amortization (EBITA)		**90,403**	**97,747**
Amortization of intangible assets	(25)	-33,575	-33,592
Earnings before interest and taxes (EBIT)		**56,828**	**64,155**
Results from associates recognized at equity	(26)	-20	-360
Financial income	(27)	4,318	7,479
Financial expenses	(27)	-25,918	-22,900
Earnings before taxes (EBT)		**35,208**	**48,374**
Income taxes for the period	(28)	-13,033	-17,951
Result from continued operations		**22,175**	**30,423**
Result from discontinued operations	(11)	-457	0
Consolidated net income of the period		**21,718**	**30,423**
of which: allocated to parent company		**23,147**	**30,716**
of which: allocated to minority interests		**-1,429**	**-293**
Earnings per share from continuing operations	(29)		
undiluted (EUR)		**0.48**	**0.62**
diluted (EUR)		**0.48**	**0.62**
Additional information:			
Cash Net Income*		**51,663**	**60,088**
Cash Net Income* per share (EUR)		**1.04**	**1.21**

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

(The appended notes are an integral part of the consolidated financial statements)

Consolidated Statement of Comprehensive Income

	Notes	2013 EUR '000	2012 EUR '000
Consolidated net income for the period		**21,718**	**30,423**
Items that will not be reclassified to profit/loss:			
Actuarial gains and losses from pensions		0	0
Changes in actuarial gains and losses		461	-3,549
Deferred income taxes		-123	933
		338	**-2,616**
Items that may be reclassified to profit/loss:			
Cashflow Hedges			
of which: in equity		129	-8,969
of which: income (recycling)		4,367	2,974
Deferred income taxes		-1,349	1,816
		3,147	**-4,179**
Currency conversion differences			
of which: in equity		-1,317	4,396
of which: income (recycling)		0	0
		-1,317	**4,396**
		1,830	**217**
Operating income and expense recognized directly in equity		**2,168**	**-2,399**
Total result of the period		**23,886**	**28,024**
of which: allocated to parent company		25,315	28,317
of which: allocated to minority interests		-1,429	-293

(The appended notes are an integral part of the consolidated financial statements)

Consolidated Cash Flow Statement

	2013 EUR '000	2012 EUR '000
Group net income	21,718	30,423
Amortization of intangible assets, plant and equipment	40,948	40,799
Earnings on sales of fixed assets	-56	4,001
Change in provisions (including income tax liabilities)	-5,284	4,647
Change in deferred taxes	-7,033	-5,066
Other non-cash income and expenses	8,593	-105
	58,886	**74,699**
Change in inventories	-266	566
Change in trade receivables	22	-8,735
Change in income tax receivables	-4,407	-1,993
Change in other assets	2,538	3,948
Change in trade payables	1,619	-4,674
Change on other liabilities	-6,061	3,094
Cash flow from operating activities	**52,331**	**66,905**
Cash inflow from disposals of intangible assets	133	1,105
Cash outflow for capital expenditure in intangible assets	-16,506	-8,935
Cash inflow from disposals of sales of property, plant and equipment	514	2,275
Cash outflow for capital expenditure in property, plant and equipment	-7,540	-18,453
Cash outflow for acquisitions less acquired cash	-16,697	-15,491
Cash outflow for acquisitions in prior periods	-22,411	-13,726
Cash outflow for acquisition prepayment	-18,000	0
Cash flow from investing activities	**-80,507**	**-53,225**
Purchase of own shares	0	-4,646
Dividends paid	-17,366	-12,475
Dividends received	125	250
Purchase of minority interest	-237	0
Cash inflow from assumption of loans	94,644	32,564
Cash outflow from assumption of loans	-44,128	-34,583
Cash flow from financing activities	**33,038**	**-18,890**
Cash and cash equivalents at beginning of period	18,953	23,978
Changes in cash and cash equivalents	**4,862**	**-5,210**
Changes in cash and cash equivalents due to exchange rate fluctuations	-476	185
Cash and cash equivalents at end of period	**23,339**	**18,953**
Interest paid	14,505	14,944
Interest received	402	2,534
Income tax paid	30,048	19,440

(The appended notes are an integral part of the consolidated financial statements)

Changes in Consolidated Equity

	Share capital TEUR	Treasury shares TEUR	Reserves TEUR	Accumulated other operating income: Cashflow hedges TEUR	Accumulated other operating income: Currency conversation TEUR	Equity attributable to shareholders of CGM AG TEUR	Non-controlling interest TEUR	Consolidated equity TEUR
Balance as at 31.12.2011 (adjusted)	**53,219**	**-16,257**	**146,166**	**-4,425**	**-10,572**	**168,131**	**71**	**168,202**
Group net income	**0**	**0**	**30,716**	**0**	**0**	**30,716**	**-293**	**30,423**
Other results								
Changes in the fair value of cashflow hedges	0	0	0	-4,179	0	-4,179	0	-4,179
Actuarial gains and losses	0	0	-2,616	0	0	-2,616	0	-2,616
Currency conversion differences	0	0	0	0	4,396	4,396	0	4,396
Total result of the period	**0**	**0**	**28,100**	**-4,179**	**4,396**	**28,317**	**-293**	**28,024**
Transactions with shareholders								
Capital contribution	0	0	0	0	0	0	250	250
Dividend payment	0	0	-12,475	0	0	-12,475	0	-12,475
Stock option program	0	0	52	0	0	52	0	52
Repurchase of treasury shares	0	-4,646	0	0	0	-4,646	0	-4,646
	0	**-4,646**	**-12,423**	**0**	**0**	**-17,069**	**250**	**-16,819**
Balance as at 31.12.2012	**53,219**	**-20,903**	**161,843**	**-8,604**	**-6,176**	**179,379**	**28**	**179,407**
Group net income	**0**	**0**	**23,147**	**0**	**0**	**23,147**	**-1,429**	**21,718**
Other results								
Changes in the fair value of cashflow hedges	0	0	0	3,147	0	3,147	0	3,147
Actuarial gains and losses	0	0	338	0	0	338	0	338
Currency conversion differences	0	0	0	0	-1,317	-1,317	0	-1,317
Total result of the period	**0**	**0**	**23,485**	**3,147**	**-1,317**	**25,315**	**-1,429**	**23,886**
Transactions with shareholders								
Capital contribution	0	0	0	0	0	0	125	125
Dividend payment	0	0	-17,366	0	0	-17,366	0	-17,366
Stock option program	0	0	0	0	0	0	0	0
Non-controlling interests from acquisitions	0	0	0	0	0	0	199	199
Additional purchase of shares from non-controlling interests after control	0	0	-73	0	0	-73	-164	-237
Repurchase of treasury shares	0	0	0	0	0	0	0	0
Issue of treasury shares	0	611	1,389	0	0	2,000	0	2,000
	0	**611**	**-16,050**	**0**	**0**	**-15,439**	**160**	**-15,279**
Changes in the scope of consolidation	**0**	**0**	**-486**	**0**	**0**	**-486**	**-2,861**	**-3,348**
Balance as at 31.12.2013	**53,219**	**-20,292**	**168,792**	**-5,457**	**-7,493**	**188,769**	**-4,102**	**184,667**

(The appended notes are an integral part of the consolidated financial statements)

A. General disclosures

a) Company information

CompuGroup Medical AG (also referred to in the following as the "Company" or "CGM") is a listed Company registered in Germany in the Commercial Register of the Koblenz Municipal Court under HRB No. 4358. The Company is the ultimate parent company of the Group. The registered office of the Company is located at Maria Trost 21, 56070 Koblenz. The purpose of the Company and its principal activities can be characterized as follows:

The Group is currently divided into three business segments – Health Provider Services I (HPS I), and Health Provider Services II (HPS II), as well as Health Connectivity Services (HCS). These segments form the basis for the Company's segment reporting. As of the 2012 financial year, the business area Health Provider Services (HPS) is divided according to relevant customer and product groups Practice Software (HPS I) and Clinic Software (HPS II).

HPS I: Development and sale of software solutions for physicians and dentists in their practices as well as for pharmacies.
HPS II: Development and sale of software solutions for hospitals.
HCS: Networking service providers (physicians, dentists, hospitals, and pharmacies) with other important market participants in the healthcare sector, such as sponsors, and pharmaceutical companies and research institutes. In addition, an Internet Provider Service is offered to doctors and other participants in healthcare.

b) Reporting principles and fundamental principles

These consolidated financial statements combine the financial statements of CompuGroup Medical AG and its subsidiaries (also referred to in the following as the "Company" or "CGM Group". As in the prior year, the consolidated financial statements as of 31 December 2013 of CGM Group were prepared in accordance with Section 315a Handelsgesetzbuch (HGB – German Commercial Code) and in compliance with all mandatory International Financial Reporting Standards (IFRS) – previously International Accounting Standards (IAS) – and the interpretations of the International Financial Interpretations Committee (IFRIC) – previously the Standing Interpretations Committee (SIC) – as applicable in the EU. The application of individual standards is described in the comments on the individual items in the consolidated financial statement.

The commercial regulations to be applied pursuant to Section 315a HGB were also observed.

The consolidated financial statements for 2013 were prepared by the Management Board and will be examined by the audit committee on 22 March 2014. They will be examined, approved and cleared for publication by the Supervisory Board at its meeting on 22 March 2014.

The consolidated financial statements are stated in thousands of Euro (EUR '000) unless otherwise stated. Smaller deviations in absolute figures and in the calculation of percentages may occur due to rounding. The income statement for the Group and the consolidated balance sheet correspond to the organizational requirements of IAS 1, while the income statement is structured according to the total expense method.

Individual subsidiaries of the Group are instructed by the Group accounting policy to proceed using the same accounting and remeasurement principles.

The consolidated financial statements are primarily based on the historical cost principle. Unless stated otherwise, assets and liabilities are carried on the basis of historical cost, less necessary value reductions.

The estimates and assumptions underlying the presentation of the consolidated financial statements under IFRS affect the valuation of assets (goodwill; deferred tax assets) and debts (accruals; purchase price liabilities), the declaration of contingent liabilities and liabilities at the respective balance sheet dates and the extent of income and expenses for the reporting periods. Although these assumptions and estimates have been made to the best of the Executive Board's knowledge, the actual results can deviate from these estimations.

In the reporting period, the classification of services purchased in relation with non-customer related software development was changed. The amended reporting method had the following effect on the income statement in the fiscal year 2013:

	Notes	2013 EUR '000	Adjustment effect EUR '000	2013 without adjustment EUR '000	2012 EUR '000
Sales revenue	(19)	459,555	0	459,555	450,582
Capitalized in-house services	(20)	9,651	0	9,651	6,610
Other income	(21)	2,512	0	2,512	5,403
Expenses for goods and services purchased	(22)	-79,352	-8,441	-87,793	-82,518
Personnel expenses	(23)	-214,941	0	-214,941	-201,951
Other expenses	(24)	-79,649	8,441	-71,208	-73,172
Earnings before interest, taxes, depreciation and amortization (EBITDA)		**97,776**	**0**	**97,776**	**104,954**

The corresponding cost in 2012 stated as expenses for goods and services purchased amounted to EUR 5,251 thousand.
The change in classification leads to a more appropriate presentation of the cost structure. These third party services are not directly related to revenue generation and are therefore reported in other expenses beginning in 2013. The change leads to more reliable and relevant information on the profitability of the Group being presented in the financial statements.

B. Principle accounting and measurement methods

a) Principles for the preparation of the consolidated financial statements

The consolidated financial statements of CGM Group were prepared on the basis of historical cost. This principle does not apply to certain financial instruments that are measured at revaluation amount or at fair value as at the balance sheet date. Details are provided accordingly in the explanation of the respective accounting and measurement methods.

In general, historical cost is based on the fair value of the service exchange for the asset.

Fair value is the amount 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. This applies irrespective of whether the amount is directly observed or estimated on the basis of a measurement method.

When measuring the fair value of an asset or a liability, the Group takes into account certain characteristics of the asset or the liability, such as the condition and location of the asset or restrictions on the sale of use of the asset, provided that the market participants also took these characteristics into account when determining the purchase price of an asset or the transfer of a liability as at the balance sheet date. In these consolidated financial statements, the fair value to be applied for the measurement and/or disclosure requirements is generally determined on the basis of the previously-described principles. This does not apply to the following:

- Share-based payment within the scope of IFRS 2 Share-based Payment,
- Leases that fall within the scope of IAS 17 Leases, and
- Assessment criteria similar but not equal to fair value. This includes, among other things, net realizable value in IAS 2 Inventories or value in use in IAS 36 Impairment of Assets.

Fair value is not always available as market value, which then often requires determination on the basis of various measurement parameters. Subject to the availability of observable parameters and the relevance of these parameters for determining the fair value in the aggregate, the fair value is to be classified as level 1, 2 or 3. The level to which the fair value is classified depends and the following stipulations:

- Level 1 parameters are quoted prices in active markets for identical assets or liabilities. As is the case with the currently applicable IFRS, an entity uses these quoted prices, where available and without any adjustment, to determine fair value.
- Level 2 parameters are other observable factors.
- Level 3 parameters are unobservable input parameters that need to be developed further so as to illustrate assumptions by those market participants who would apply this when determining an appropriate price for the asset/liability.

b) New and revised standards, interpretations and amendments to published standards applied for the first time in 2013

The methods of accounting and evaluation applied correspond in principle to those used in the previous year. For new IFRS standards applicable for the first time in the fiscal year 2013, the effects on the CGM Group's accounting and evaluation methods are outlined below:

Standard	Content	Entry into force (EU)
IFRS 1, amendment	First-time Adoption of IFRS: Severe Hyperinflation and Elimination of Fixed Transition Dates for First-time Adopters	1 January 2013
IFRS 1, amendment	First-time Adoption of IFRS: Government Loans	1 January 2013
IFRS 7, amendment	Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities	1 January 2013
IFRS 13	Fair Value Measurement	1 January 2013
IAS 1, amendment	Presentation of Financial Statements: Presentation of Other Income Items	1 July 2012
IAS 12, amendment	Income Taxes: Recovery of Underlying Assets	1 January 2013
IAS 19, revision	Employee Benefits	1 January 2013
IFRIC 20	Stripping Costs in the production Phase of a Surface Mine	1 January 2013
Various standards	Improvements to the International Financial Reporting Standards (Improvements Project 2009-2011)	1 January 2013

Amendment to IFRS 1 – First-time Adoption of IFRS: Severe Hyperinflation and Elimination of Fixed Transition Dates for First-time Adopters

These two amendments to IFRS 1 "First-time Adoption of IFRS" were published in December 2012:

- An exemption in the event of severe hyperinflation and
- The removal of fixed date for first-time adopters.

The first amendment constitutes an additional exemption for entities that were exposed to severe hyperinflation after which they take up the presentation of IFRS-compliant financial statements again or prepare IFRS-compliant financial statements for the first time. The exemption allows for the measurement of various assets and liabilities at fair value and permits the use of fair value as deemed cost in the opening IFRS balance sheet.

The second amendment replaces references to a fixed date of “1 January 2004” with “the date of transition to IFRS”, thus eliminating the need for companies adopting IFRS for the first time to restate derecognition transactions that occurred before the date of transition to IFRS.

The EU adoption ordinance (“endorsement”) was published on 29 December 2012 in the Official Journal of the EU. At present, no changes to the consolidated financial statements of CGM result from the first-time application of this requirement.

Amendment to IFRS 1 – First-time Adoption of IFRS: Government Loans

The amendments issued in March 2012 concern the recognition and measurement of low interest government loans during the changeover to IFRS. The amendment gives rise to a new exemption to the general retrospective application of IFRS by first-time adopters. Consequently, the provisions of IAS 20.10A are to be applied prospectively to low interest rate government loans granted on or after the transition date. According to these provisions, government loans with below-market rates of interest must be disclosed pursuant to the provisions of IAS 39 and therefore measured at fair value. Government loans that had already been granted by the date of transition may be measured on the basis of the previous accounting regulations for IFRS opening balance sheets. This exemption only applies to the application rules of IAS 39. The regulations of IAS 32 still have to be applied to determine whether the government loans granted are to be classified as equity or financial liabilities. These regulations may be voluntarily applied retrospectively to individual loans granted before the transition to IFRS provided that information as to the fair value of such loans existed at the time of their first-time accounting. The EU adoption of the amendments ordinance (“endorsement”) was published on 5 March 2013 in the Official Journal of the EU. The amendments have no relevance to CompuGroup Medical AG.

IFRS 7 – Financial Instruments: Disclosures: Offsetting Financial Assets and Financial Liabilities

The amendments to IFRS 7, Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities, extend the existing quantitative disclosure requirements for financial instruments that were offset in the consolidated financial statement. Furthermore, the amendments include additional disclosure requirements for financial instruments that are subject to netting agreements, regardless of whether they have been offset in accordance with IAS 32. The amendments to IFRS 7 were applied retrospectively to 2012 comparative period. The EU adoption of the new regulations ordinance (“endorsement”) was published on 29 December 2012 in the Official Journal of the EU. As CGM did not enter into any netting agreements, the first-time adoption of the amendments to IFRS 7 have no impact on the disclosures or the amounts in the consolidated financial statements.

IFRS 13 – Fair Value Measurement

IFRS 13 describes how fair value is to be defined if another IFRS or IAS requires its application or disclosure. Fair value disclosure obligations have also been extended. Fair value has been re-defined as the sales price of an actual or hypothetical regular transaction between independent market participants with expert knowledge and the willingness and ability to enter into an agreement at arm’s length conditions on the measurement date.

The standard applies almost comprehensively – only IFRS 2 “Share-based Payment” or IAS 17 “Leases” and those measurement parameters that are similar to fair value (e.g. value in use pursuant to IAS 36 “Impairment of Assets”) are excluded from within the scope of IFRS 13. Pursuant to IFRS 13, no disclosures need to be made for plan assets measured at fair value pursuant to IAS 19 “Employee Benefits”, or for assets where the recoverable amount, pursuant to IAS 36 “Impairment of Assets”, is the fair value less disposal costs.

Whereas the extent of these regulations remains almost unchanged for financial instruments, they have now been expanded and defined in more detail for other aspects (e.g. investment property, intangible assets, property, plant and equipment). In future, market and credit risk effects can be included in the fair value of a net portfolio for a financial instrument, if the connection can be proven.

Fair value measurement follows the well-known 3-level hierarchy, which is based on the type of measurement parameters applied to the respective measurement techniques:

- Level 1 parameters are quoted prices in active markets for identical assets or liabilities. As is the case with the currently applicable IFRS, an entity uses these quoted prices, where available and without any adjustment, to determine fair value.
- Level 2 parameters are other observable factors.
- Level 3 parameters are unobservable input parameters that need to be developed further so as to illustrate assumptions by those market participants who would apply this when determining an appropriate price for the asset/liability.

Entities were also given specific transitional provisions to the effect that disclosure obligations as stipulated by the standard are not mandatory for periods prior to first-time adoption with regard to comparable information. In accordance with these transitional provisions, CGM did not present any IFRS 13 disclosures in these consolidated financial statements for the comparable period for the financial year that ended on 31 December 2012. With the exception of the additional disclosures required, the adoption of IFRS 13 had no material impact on the amounts in CGM’s consolidated financial statements. The EU adoption ordinance (“endorsement”) was published on 29 December 2012 in the Official Journal of the EU.

Amendment to IAS 1 – Presentation of Financial Statements – Presentation of Other Income Items

The amendments to IAS 1 demand that other income items are divided into amounts that can then be recycled in the consolidated income statements for subsequent periods, and those that cannot. The amendments do not state which other income items should be posted.

The EU adoption ordinance ("endorsement") was published on 6 June 2012 in the Official Journal of the EU. The only effects from the amendments to IAS 1 will be the presentation of other income within the statement of the total comprehensive income of CompuGroup Medical.

Amendment to IAS 12 – Income Taxes: Recovery of Underlying Assets

Pursuant to IAS 12 "Income Taxes", the measurement of deferred taxes shall reflect the tax consequences that are to be expected from the planned intended use (utilization or disposal) of the underlying asset (or liability). In some cases it can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40 "Investment Property". The amendment to IAS 12 provides a practical solution to the problem by introducing a presumption that recovery of the carrying amount will, normally, be through sale. As a result of the amendment, SIC-21 "Income Taxes – Recovery of Revalued Non-depreciable Assets" would no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC-21, which is accordingly withdrawn.

The EU adoption ordinance ("endorsement") was published on 29 December 2012 in the Official Journal of the EU. It does not have any effects on the consolidated financial statements of CGM.

Amendment to IAS 19 – Employee Benefits

The amendments to IAS 19 eliminate the corridor method and require the immediate recognition of actuarial profits and losses in other income, without any effect on net income. In addition, expected income from plan assets and the interest expense on pension obligations will be replaced with a single net interest component in the amended IAS 19. Past service cost must in future be recognized fully in the income statement in the period of the related plan amendment. Additional contributions to plan assets for CGM Group companies in the Netherlands are recognized directly in equity. The presentation and disclosure requirements have also been enhanced in addition to the amendments to the requirements for termination benefits.

The EU adoption ordinance ("endorsement") was published on 6 June 2012 in the Official Journal of the EU. There will be no effects from the first-time adoption of IAS 19 with regard to the amended recognition of actuarial profits and losses, as these have already been recognized in equity in full without affecting net income since 2012. The absence of the delayed recognition of past service cost is also irrelevant for CGM Group, as all past service costs have already been recognized in full.

In 2013 as well as in 2012 (reference period) the personnel expenses in the income statement and other income were affected by the retrospective first-time application of IAS 19 (rev. 2011) as a result of the net interest rate and the recognition of additional contributions to plan assets in particular in the Netherlands amounting to less than EUR 200 thousand.

The amendment to IAS 19 also includes new provisions relating to termination benefits. All employee benefits still linked to the rendering of future employment services are not termination benefits. This reduces the number of agreements that meet the definition of "termination benefits". Liabilities for termination benefits are recognized if an entity can no longer withdraw its offer to pay such a benefit or if costs are recognized for restructuring with which termination is associated. As a result of this, in a departure from the current rules, voluntary termination benefits may be recognized at a later point. The adjusted provisions relating to termination benefits do not have any effects on the consolidated financial statements of CGM.

IFRIC 20 – Stripping Costs in the production Phase of a Surface Mine

The interpretation deals with stripping costs in the production phase of a surface mine. The EU adoption ordinance ("endorsement") was published on 29 December 2012 in the Official Journal of the EU. No changes to the consolidated financial statements of CGM result from the first-time application of this requirement.

Improvements to the International Financial Reporting Standards (Improvements Project 2009-2011)

Provisions from the annual improvements project were published in May 2012, containing amendments to the standards.

- IFRS 1 – First-time Adoption of the International Financial Reporting Standards
- IAS 1 – Presentation of Financial Statements
- IAS 16 – Property, Plant and Equipment
- IAS 32 – Financial Instruments: Presentation
- IAS 34 – Interim Financial Reporting

The new regulations specify minor content changes and clarifications to the approach of identification and evaluation. The EU adoption ordinance ("endorsement") was published on 28 March 2013 in the Official Journal of the EU. No changes to the consolidated financial statements of CGM result from these amendments.

c) Standards, interpretations and changes to published standards to be applied in 2014, which have already been adopted into European law ("endorsement")

The following standards and changes to standards have been adopted by the European Union. A mandatory application is planned in the future.

The Group's assessment of the effects of these new or amended standards and interpretations is explained as follows:

Standard	Content	Entry into force (EU)
IFRS 10	Consolidated Financial Statements	1 January 2014
IFRS 11	Joint Arrangements	1 January 2014
IFRS 12	Disclosure of Interests in Other Entities	1 January 2014
IFRS 10, IFRS 11 and IFRS 12, amendments	IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities – transitional provisions	1 January 2014
IFRS 10, IFRS 12 and IAS 27, amendments	IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements – investment companies	1 January 2014
IAS 27, revision	Separate Financial Statements	1 January 2014
IAS 28, revision	IAS 28, Investments in Associates and Joint Ventures	1 January 2014
IAS 32, amendment	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities	1 January 2014
IAS 36, amendment	Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets	1 January 2014
IAS 39, amendment	Financial Instruments: Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014

IFRS 10 – Consolidated Financial Statements

In May 2011, the IASB published it improvements to consolidation, off-balance sheet transactions and joint arrangements financial reporting and disclosure standards with IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements", IFRS 12 "Disclosure of Interests in Other Entities", subsequent amendments to IAS 27 "Separate Financial Statements (amended 2011)" as well as IAS 28 "Investments in Associates and Joint Ventures (amended 2011)".

IFRS 10 focuses on the introduction of a single consolidation model of all companies based on the concept of control of subsidiaries by the parent company. The control concept is to be applied to both parent-subsidiary relations based on voting rights as well as to parent-subsidiary relations based on other contractual agreements. The control principle is defined and determined as the basis for consolidation. This definition is supported by comprehensive application guidance that indicates the different way in which a reporting entity (investor) can control another company (associated company). The accounting requirements are presented. IFRS 10 replaces the provisions regarding consolidated financial statements in IAS 27 "Consolidated and Separate Financial Statements (amended 2008)"' as well as SIC-12 "Consolidation – Special Purpose Entities".

The EU adoption ordinance ("endorsement") was published on 29 December 2012 in the Official Journal of the EU. IFRS 10 enters into force for financial years beginning on or after 1 January 2014. The CGM Group management has reviewed and made an assessment of the impact of the initial adoption of IFRS 10 on 1 January 2014. It has verified whether changes will occur with regard to the control of subsidiaries and investments from the new definition of control and the IFRS 10 underlying application guidelines. Management estimates as a result of the review that the purchase of 100 percent of the shares of Imagine Editions SAS and Imagine Assistance S.a.r.l., France, with signing and payment on 16 December 2013 and closing on 16 January 2014, triggers an immediate control at the time of contract signing as a result of the seller's contractual restrictions (IFRS 10.B 24). As a consequence, the consolidation of the acquired businesses would begin on the 16th December 2013. This is different to the application of IAS 27 made in the 2013 financial year where control occurs at the time of closing. i.e. 16th January 2014. The differences on the consolidated balance sheet of the CGM Group resulting from the consolidation of the two companies on the basis of the preliminary purchase price allocation for 2013 are as follows:

Assets	Financial statement Imagine-Group 31.12.2013 EUR '000	Purchase price allocation 31.12.2013 EUR '000	Effect on consolidated statement of financial position 31.12.2013 EUR '000
Non-current assets			
Intangible assets	0	24,711	24,711
Goodwill	0	9,393	9,393
Software	0	2,261	2,261
Customer relationships	0	12,392	12,392
Brands	0	665	665
Property, plant and equipment	261	0	261
Deferred taxes	0	0	0
	261	**24,711**	**24,971**
Current assets			
Inventories	7	0	7
Trade receivables	1,001	0	1,001
Other non-financial assets	403	-20,000	-19,597
Securities (recognized as profit or loss at fair value)	501	0	501
Cash and cash equivalents	114	0	114
	2,025	**-20,000**	**-17,975**
	2,286	**4,711**	**6,996**

Equity and liablities	Financial statements "Imagine"-Group 31.12.2013 EUR '000	Purchase price allocation 31.12.2013 EUR '000	Effect on consolidated statement of financial position 31.12.2013 EUR '000
Equity			
Subscribed capital	102	-102	0
Treasury shares	0	0	0
Reserves	293	-293	0
Capital and reserves allocated to the shareholder of the parent company	**394**	**-394**	**0**
Non-controlling interests	0	0	0
	394	**-394**	**0**
Non-current liablities			
Pensions	221	0	221
Deferred taxes	0	5,105	5,105
	221	**5,105**	**5,327**
Current liabilities			
Liabilities to banks	26	0	26
Trade payables	355	0	355
Other provisions	540	0	540
Other financial liabilities	396	0	396
Other non-financial liabilities	353	0	353
	1,670	**0**	**1,670**
	2,286	**4,711**	**6,996**

The Imagine Group offers the software "HelloDoc", one of the best recognized software for French general practitioners, pediatricians and dentists for more than 25 years. The software is currently used by approximately 20,000 professionals. In addition to the HelloDoc software, the Imagine Group offers data and Tele-secretary services to healthcare professionals. In fiscal year 2013, the Imagine Group generated preliminary sales of EUR 7,706 thousand and a preliminary EBITDA of EUR 888 thousand The company has 110 employees. The purchase price totalled EUR 20 million, of which EUR 18 million was paid in cash and EUR 2,000 thousand in treasury shares.

From this acquisition, CGM expects to significantly expand its business in France by offering the software products of the Imagine Group and other value-added services. Synergies are expected to be realized by gaining know-how and realizing cost efficiencies (e.g. within hotline and sales partner network). The provisional goodwill value of EUR 9,393 thousand results especially from the synergies within the Group as a result of the inclusion of the Imagine Group into CGM. The acquired goodwill is expected to the partially applicable for income tax deduction.

The provisional fair value of the acquired intangible assets amounted to EUR 15,318 thousand.

The receivables and payables associated with the acquisition, which essentially consist of trade receivables and payables, are balanced at book values at the date of acquisition of control, which corresponds to fair value based on the expected collection period and the best estimate of access to contractual cash flows. Uncollectible receivables were not identified at the time of initial recognition. The provisional fair values of pension liabilities or similar liabilities at the acquisition date amounts to EUR 221 thousand.

The initial disclosures for the acquisition of Imagine Group 31 December 2013 was carried out in preliminary form, since the analysis of the acquired order backlog as well as the valuation of the acquired customer relationships, software and trademark due partly not received or evaluated information. The estimated fair values represent the best estimates of management at the date of approval of the consolidated financial statements by the Supervisory Board.

IFRS 11 – Joint Arrangements

IFRS 11 provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form. The amended definitions now result in two different "types" of joint arrangements: joint operations and joint ventures. A joint arrangement is defined as a contractual arrangement over which two or more parties have joint control. Joint control exists only when decisions about the relevant activities that have a significant impact on agreement returns require the unanimous consent of the parties sharing control. In accordance to IFRS 11, parties that have joint control of the arrangement have rights to the assets (and revenues), and obligations for the liabilities (and costs), relating to the arrangement. Parties that have joint control must account for their investment using the equity method. The previous option of the proportionate consolidation of jointly controlled entities has been eliminated.

IFRS 11 replaces IAS 31 "Interests in Joint Ventures (amended 2008)" and SIC-13 "Jointly Controlled Entities – Non-Monetary Contributions by Venturers".

The EU adoption ordinance ("endorsement") was published on 29 December 2012 in the Official Journal of the EU. IFRS 11 enters into force for financial years beginning on or after 1 January 2014. Based upon current data, no changes to the consolidated financial statements of CGM Group result from the first-time application of this requirement. (alternatively: The Company is currently assessing the effects on the consolidated financial statements.)

IFRS 12 – Disclosure of Interests in Other Entities

IFRS 12 combines the amended disclosure requirements of IAS 27 and IFRS 10, IAS 31 and IFRS 11 as well as IAS 28. IFRS 12 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structured entities and off balance sheet vehicles. The standard requires an entity to disclose information that enables users of financial statements to evaluate the nature of, and risks associated with, its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.

The EU adoption ordinance ("endorsement") was published on 29 December 2012 in the Official Journal of the EU. IFRS 12 enters into force for financial years beginning on or after 1 January 2014. This has no effect on the consolidated financial statements of CGM Group.

Amendments to IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities: transitional provisions

The transitional provisions published in June 2012 included facilitation of the initial application of the standards. The amendments clarify that the "date of the first-time adoption" of IFRS is the start of the reporting period in which the standard is first adopted. These amendments mean that decisions as to whether investments are to be consolidated or not must be made at the beginning of the reporting period in which the standard is first adopted. Compared to the previous consolidation decisions in IAS 27/SIC-12, any amendments made to the (non-) inclusion of investments pursuant to IFRS 10 are to be applied retrospectively. However, adjustments are only mandatory for immediately preceding comparable periods. No retrospective adjustments need be made if the first-time adoption of the provisions of IFRS 10 does not result in any changes to investment inclusion obligations. This also applies in the event that the investment inclusion obligation only results in a comparable period presented in the financial statements being deconsolidated due to a disposal or loss of control.

It was also stipulated that when the new consolidation rules are applied for the first time, comparable information is only mandatory for disclosures required under IFRS 12 in connection with subsidiaries, associated companies and joint ventures for immediately preceding comparable periods. The obligation to provide comparative information in unconsolidated structured companies for periods prior to the initial application of IFRS 12 is omitted. The EU adoption of the rules ordinance ("endorsement") was published on 5 April 2013 in the Official Journal of the EU. The amendments to IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements" and IFRS 12 "Disclosure of Interests in Other Entities" have no effect on the consolidated financial statements of CGM Group.

Amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements – investment companies

With the amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosure of Interests in Other Entities" and IAS 27 "Separate Financial Statements" published in October 2012, investment companies, as defined by IFRS 10, will in future be exempt from the requirement to consolidate subsidiaries controlled by them in consolidated financial statements. Instead, they value investments held for investment purposes at fair value. In addition, new disclosure requirements for investment companies are required. The amendments have no relevance to CompuGroup Medical AG.

Revised IAS 27 – Separate Financial Statements

IAS 27 (amended 2011) now only contains requirements relating to separate financial statements as a result of the issuance of the new standard IFRS 10. The EU adoption ordinance ("endorsement") was published on 29 December 2012 in the Official Journal of the EU. The amendment has no effect on the consolidated financial statements of CGM Group.

Revised IAS 28 – Investments in Associates and Joint Ventures

IAS 28 (amended 2011) contains provisions on jointly controlled entities and associates measured at equity following the publication of IFRS 11. The EU adoption ordinance ("endorsement") was published on 29 December 2012 in the Official Journal of the EU. Based upon current assessments, no changes to the consolidated financial statements of CGM Group result from the first-time application of this requirement.

Amendments to IAS 32 – Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities

The revision of the provisions regarding the offsetting of financial assets and financial liabilities resulted in corresponding amendments to IAS 32 "Financial Instruments: Presentation".

The offsetting requirements formulated in IAS 32 have been maintained in principle and have only been finalized by additional application guidance. This guidance explicitly emphasizes on the one hand that an absolute, legally enforceable claim for compensation is required even if one of the parties becomes insolvent. On the other hand, criteria are cited under which a gross settlement of financial assets and financial liabilities could still result in offsetting. The amended guidelines should be applied retrospectively to financial years beginning on or after 1 January 2014.

The EU adoption ordinance ("endorsement") was published on 29 December 2012 in the Official Journal of the EU. The amendments to IFRS 7 should be applied retrospectively to financial years beginning on or after 1 January 2013. It does not appear to have any effects on the consolidated financial statements of CGM Group.

Amendments to IAS 36 – Impairment of Assets – Recoverable Amount Disclosures for Non-financial Assets

The amendment to standard "Recoverable Amount Disclosures for Non-financial Assets" published by the IASB contains adjustments to IAS 36. The amendments result in a correction to the disclosure requirements to IAS 36 added by IFRS 13. These added disclosure requirements mean that the recoverable value of all cash-generating units (or groups of units) should be indicated if these are assigned significant goodwill or significant indefinite intangible assets. In its correction, the IASB limits the disclosure requirements to cash-generating units (or groups of units) for which an impairment or reversed impairment was recognized in the current financial year. The amendment also adds new disclosure obligations. These need to be made if an impairment or a reversed impairment is applied to an asset or a cash-generating unit and the recoverable amount was determined on the basis of the fair value less disposal costs. The EU adoption ordinance ("endorsement") was published on 20 December 2013 in the Official Journal of the EU. The amendments to IAS 36 are to be applied retrospectively, however, only to periods in which IFRS 13 is applied, which at CGM will only apply to financial year 13 onwards. Effects from the amendment to IAS 36 only arise for the IAS 36 note disclosures in the event of an impairment or the reversal of an impairment.

Amendments to IAS 39 – Financial Instruments: Recognition and Measurement – Novation of Derivatives

Far-reaching legislative amendments were introduced to improve the transparency and regulation of over-the-counter (OTC) derivatives. This resulted in entities having to switch to central counterparties (CCP) for existing derivatives if certain conditions were met; this is generally referred to as "novation", regardless of the legal classification. According to the provisions of IAS 39, hedge accounting is to be discontinued if the original derivative no longer exists. For hedge-accounting purposes, if would not be necessary to designate the CCP-contracted derivative as hedge accounting. This new hedge accounting can, in certain circumstances, result in greater inefficiencies that the previous hedge accounting. In light of these circumstances, the IASB added an exemption to IAS 39, according to which the discontinuation of hedge accounting will not be necessary if the novation of hedge accounting with a central counterparty meets certain criteria. In particular, this exemption rule stipulates that the switch is the consequence of a regulatory or legal provision. The EU adoption ordinance ("endorsement") was published on 20 December 2013 in the Official Journal of the EU. The amendments have no effect on the consolidated financial statements of CGM Group.

d) Amendments, standards and interpretations published by the IASB but not yet transposed into European legislation
The IASB and the IFRIC have adopted several additional standards and interpretations in 2013 and the previous years which were not yet compulsorily applicable in the financial year 2013. The application of these IFRS and IFRIC is dependent upon recognition by the EU ("endorsement").

Standard	Content
IAS 19, amendment	Employee Contributions to Defined Benefit Plans
IFRS 9	Classification and Measurement – Financial Assets
IFRS 9	Classification and Measurement – Financial Liabilities
IFRS 9	Financial Instruments: Hedge Accounting
IFRS 7 and IFRS 9, amendment	Mandatory Effective Date and Transition Disclosures
IFRIC 21	Levies
Various standards	Improvements to the International Financial Reporting Standards (Improvements Project 2010-2012)
Various standards	Improvements to the International Financial Reporting Standards (Improvements Project 2011-2013)

IAS 19, Employee Benefits – Employee Contributions to Defined Benefit Plans
In November, the IASB published an adjustment to IAS 19R (2011) "Employee Benefits", which adds an option as to the accounting of defined benefit plans – in which employees (or third parties) participate in the form of mandatory contributions – to the standard.

IAS 19R (2011) provides for employer contributions, which are specified in the formal provisions of a defined benefit plan and linked to job performance, to be allocated to years of service as negative contributions. This guideline is generally in line with the projected unit credit method, that is to say the projection of (in this case negative) contributions and the allocation to entitlement periods (project and prorate). Whereas it was usual prior to the entry into force of IAS 19R (2011) to take into consideration employee contributions when determining benefit obligations at the amount paid in, the application of IAS 19R (2011) may make it necessary to perform very complex calculations.

Taking into account the published adjustment of IAS 19R (2011) it is permissible to continue to recognize employee contributions linked to work performed – but not the number of years of service – in the period in which the corresponding work was performed without following the described calculation and allocation method using the projected unit credit method. This applies in particular to the following:

- Contributions in the amount of a fixed percentage of the salary for the current year,
- Fixed contributions during the employee's entire period of service, as well as
- Contributions the amount of which depends exclusively on the employee's age.

However, if employee contributions vary depending on the number of years in service, the described calculation and allocation method using the projected unit credit method must be applied.

This amendment must be applied retrospectively for the first time to financial years starting on or after 1 July 2014. It may be applied earlier. However, application by EU entities is still subject to EU endorsement, which is planned for the third quarter of 2014.

IFRS 9 – Financial instruments: Classification and Measurement – Financial Assets
IFRS 9 fundamentally changes the previous regulations on the categorization and valuation of financial instruments.

The new standard only foresees two categories for designating financial assets on their initial recognition: they are either measured at fair value or at amortized cost. Measurement at amortized costs thereby requires scheduled holding of the financial asset until the contractual payment flows are collected and that the contractual provisions of the financial asset lead to payment flows at specified dates which solely represent redemption and interest payments on the outstanding repayment sums. Financial instruments which do not fulfill these two conditions should be stated at fair value. The categorization made upon initial recognition cannot be revised in later periods, unless the business model under which the asset is held has changed.

With regard to embedded derivatives, the standard contains the alleviation that a separation is no longer required for financial basis contracts within the scope of the new standards, and thus the contract is measured as a whole. The same applies to a subsequent assessment at amortized costs. The previous regulations of IAS 39 should continue to be applied in cases in which the basis contract is beyond the scope of the standard.

There is a non-alterable choice of posting changes to fair value, including disposal results, in other comprehensive income upon initial recognition of equity instruments which are not held for trading purposes. These changes to fair value are then no longer recycled via the income statement in the subsequent periods, but rather remain in other comprehensive income. The regulations on value reductions were also reversed accordingly for these financial instruments.

The standard foresees retrospective application for all existing financial assets, whereby the circumstances on the date of first-time application of the standard are relevant for categorization under the new regulations. Additional alleviations were created by various transitional provisions.

IFRS 9 – Financial instruments: Classification and Measurement – Financial Liabilities

The IASB added requirements on the accounting of financial liabilities and requirements for derecognition of financial assets and liabilities to IFRS 9 "Financial Instruments" in October 2010. The rules as set out in IAS 39 "Financial instruments: Classification and Measurement" remain unchanged and were adopted in IFRS 9, with the exception of the rules for financial liabilities measured at fair value on a voluntary basis (fair value option). If the fair value option is exercised, the new provisions of IFRS 9 result in a change in the reporting of fair value changes resulting from the measurement of financial liabilities in total comprehensive income. Any change in fair value resulting from a change in an entity's own credit risk must be recognized as other comprehensive income (OCI) directly in equity and not in the income statement as had previously been the case. This does not apply if the presentation would lead to an accounting mismatch in the income statement. Accounting mismatches are to be estimated on the initial recognition of financial liabilities. This cannot be reassessed at a later date. An accounting mismatch would arise if the credit risk resulting from liability-based fluctuations were offset by changes to the fair value of the asset on account of the economic link between a financial liability and a financial asset. IFRS 9 does not allow any transfer of amounts from other comprehensive income to the income statement, although it permits reclassification within equity. The portion of fair value changes not attributable to the entity's own credit risk is still recognized in the income statement.

IFRS 9 – Financial Instruments: Hedge Accounting

In November 2013, the IASB added a chapter with hedge accounting rules to IFRS 9 "Financial Instruments", which will, in the future, replace the corresponding section of IAS 39. The changes to the hedge accounting rules comprise in particular application and effectiveness conditions, approved hedged items as well as accounting, identification and note disclosures.

- **Application and effectiveness conditions**
  According to IAS 39, one hedge accounting application condition is that the hedge relationship must be highly effective within prescribed strict fluctuation margins (80 percent to 125 percent).
  IFRS 9 deviates from these rule-oriented method and replaces this with a risk management-oriented approach. This approach states a hedge relationship may be continued that as long as it is generally suited to reducing risks and can also be found in risk management; this may also be the case if it is not 100 percent effective. The effectiveness of a hedge relationship continues to be required to take existing ineffectiveness in earnings into account.
- **Approved hedged items**
  One of the fundamental reforms of the new IFRS 9 relate to the previous hedge accounting difference between financial (loans or securities, etc.) and non-financial hedged items (such as commodities, etc.). In future, it will be possible to hedge individual risk components of non-financial hedged items, provided that these risk components are separately identifiable and reliably measurable (such as the risk of oil price fluctuations within the risk of fuel price fluctuations).
- **Accounting, identification and note disclosures**
  Under IAS 39, the change in the current value of an option ("time value") based on fair value fluctuations was recognized in the income statement, which can result in high volatility.

Under IFRS 9, options would be viewed similar to insurances. As a result, the original current value of an option (e.g. paid premium of an at-or out-of-the-money option) is to be either recognized over the term of the hedge with a time base (e.g. fair value hedge via inventories for six months) or, if the hedged transactions is to be recognized in the income statement, recognized in the income statement. Option fair value fluctuations in connection with the current value are to be recognized in other comprehensive income. IFRS 9 also introduced new disclosure requirements.

Moreover, under certain circumstances, non-derivative financial instruments recognized at fair value in the income statement may also be designated as hedging instruments in the future. Pursuant to IFRS 9, it will no longer be permissible to voluntarily terminate designated hedging relationships early.

The published addition to IFRS 9 does not include the rules relating to macro hedge accounting, which the IASB has outsourced to a separate project so as to prevent delays.

The application of the new IFRS 9 regulations will be obligatory for fiscal years starting 1 January 2018.

IFRIC 21 – Levies

The introduction of IFRIC 21 sees the IASB addressing the question of the accounting of public levies that do not constitute income taxes within the meaning of IAS 12 "Income Taxes". In particular, IFRIC 21, stipulates when obligations to pay such levies are to be recognized as liabilities in the financial statements. The EU adoption of the interpretation ("endorsement") is currently expected in the first quarter of 2014.

Improvements to the International Financial Reporting Standards (Improvements Project 2010-2012)

Provisions from the annual improvements project containing amendments to the standards were published in December 2013.

IFRS 2 – Share-based Payment

The amendment includes a clarification of the definition of "vesting conditions", which sees separate definitions for "performance conditions" as well as "service conditions" being added to Appendix A of the standard. Performance conditions are vesting conditions that require both the completion of a specified period of service as well as the meeting of certain performance targets within this period of service. The performance targets are to be determined by taking into account the entity's activities or the value of its equity instruments (including shares and options). These can relate to both the overall performance of the entity and the performance of parts of the entity or individual employees. Unlike vesting conditions, service conditions on the other hand require only the completion of a specified period of service and do not include any performance targets. The vesting conditions are deemed not to have been met if the employee leaves before this period of service has been completed.

The definition of "market conditions" also clarifies that these do not relate to performance conditions that depend on the market price or value of the entity's equity instruments, but instead to performance conditions that depend on the market price or value of the equity instruments of another entity in the group.

The amendment shall apply prospectively to share-based payment granted on or after 1 July 2014. This may be voluntarily applied earlier.

IFRS 3 – Business Combinations

IFRS 3.40 specifies that an "acquirer ... classify an obligation to pay contingent consideration as a liability or as equity on the basis of the definition of an equity instrument and a financial liability in paragraph 11 of IAS 32…, or other applicable IFRSs".

As the question as to a classification of contingent consideration as equity or a financial liability only arises for contingent consideration that complies with the definition of a financial instrument and the question was raised as to when "other applicable IFRSs" should be applied for such a classification, the wording to IFRS 3.40 was amended in such a way that it only applies to contingent consideration within the scope of business combinations and if this meets the definition of a financial instrument; the reference to "other applicable IFRSs" was also eliminated.

On the other hand, the regulation of IFRS 3.58 relating to the subsequent measurement of contingent consideration was misleading as it stipulated that contingent consideration not classified as equity be measured at fair value while at the same time referring to IFRS 9 (or IAS 39), IAS 37 or other IFRS which, under some circumstances, do not require measurement at fair value.

The amendment to this paragraph and the corresponding consequential amendments to IFRS 9, IAS 39 and IAS 37 now stipulate that all contingent consideration not classified as equity be subsequently measured at fair value with all resulting effects posted in the income statement.

The amendment should be applied prospectively to all business combinations acquired on or after 1 July 2014. This may be voluntarily applied earlier, but the consequential amendments to IFRS 9 (or IAS 39) and IAS 37 must then also be applied at the same time.

IFRS 8 – Operating Segments

The following clarifications were added to IFRS 8 "Operating Segments":

- When aggregating operating segments into reportable segments, management must state the underlying considerations used to identify reportable segments (a short description of the aggregated operating segments, economic factors that were used to determine "similar economic characteristics" within the meaning of IFRS 8.12) and
- A reconciliation of segment assets with the corresponding amounts in the balance sheet is only required if the disclosures of segment assets are included in the financial information that is regularly reported to the chief operating decision maker.

This amendment must be applied retrospectively for the first time to financial years starting on or after 1 July 2014. This may be voluntarily applied earlier.

IFRS 13 – Fair Value Measurement

An amendment to the "Basis for Conclusions" of IFRS 13 clarifies that the IASB did not want the amendments to IFRS 9 and IAS 39 resulting from the amendment to IFRS 13 to eliminate the option of waiving the discounting of immaterial current receivables and liabilities.

IAS 16 – Property, Plant and Equipment/IAS 38 – Intangible Assets

The amendment clarifies how cumulated depreciation at the time of valuation is to be determined when applying the revaluation model pursuant to IAS 16.35 and IAS 38.80.

The amendment to IAS 16.35(a) takes account of the fact, for example, that the revaluation can, on the basis of available market data, result in changes to the gross carrying amount and the carrying amount. This would then not result in a proportional change in cumulative depreciation. Instead, the change in depreciation results from the difference between the revalued amounts. Moreover, impairment losses in previous periods can result in a non-proportional change in depreciation. Here, too, the revaluation of the gross carrying amount and the carrying amount – taking into account impairment losses – will not result in a proportional change in depreciation.

This amendment must be applied for the first time to financial years starting on or after 1 July 2014. This may be voluntarily applied earlier. The transitional provisions stipulate that the amendment only applies to revaluations conducted in financial years that start on or after the date of the first-time adoptions or such that were conducted in the period immediately preceding.

IAS 24 – Related Party Disclosures

The amendment expands the definition of "related parties" to include entities that provide compensation for the reporting entity's key management personnel – either directly or indirectly via a group company – without this resulting in management entities within the meaning of IAS 24. New paragraph 18A stipulates the additional disclosures required for "management entity" compensation expenses at the reporting entity. On the other hand, the reporting entity need not make any disclosures pursuant to IAS 24.17 as to compensation paid by the "management entity" to employees who assume management duties at the reporting entity.

This amendment must be applied retrospectively for the first time to financial years starting on or after 1 July 2014. This may be voluntarily applied earlier.

Improvements to the International Financial Reporting Standards (Improvements Project 2011-2013)

Provisions from the annual improvements project containing amendments to the standards were published in December 2013.

IFRS 1 – First-time Adoption of the International Financial Reporting Standards

An amendment to the "Basis for Conclusions" clarifies the importance of the "effective date" in relation to IFRS 1. In the event that two versions of a standard exist on the date of transition to IFRS – a current version and a version that will only become mandatory in the future but that may also be applied earlier, entities applying IFRS for the first time may choose which of the two versions to apply. The version selected must then – subject to deviating provisions in IFRS 1 – be applied to all periods presented in the financial statements.

IFRS 3 – Business Combinations

The amendment reformulates the existing exceptions for joint ventures within the scope of IFRS 3. This clarifies that the exemption for all joint arrangements within the meaning of IFRS 11 apply; it also clarifies that the exemption only applies to the financial statements of the joint venture or the joint venture itself and not to the financial statements of the participants of the joint venture.

This amendment must be applied prospectively for the first time to financial years starting on or after 1 July 2014. This may be voluntarily applied earlier.

IFRS 13 – Fair Value Measurement

IFRS 13.48 allows entities that manage a group of financial assets and financial liabilities on the basis of their net market risk or net default risk to determine the fair value of this group in accordance with how market participants would evaluate the net risk position on the evaluation date ("portfolio exception"). The proposed amendment clarifies that this exception relates to determining the fair value of all contracts within the scope of IAS 39 "Financial Instruments: Recognition and Measurement" or IFRS 9 "Financial Instruments", even if these do not meet the definition of a financial asset or financial liability as per IAS 32 "Financial Instruments: Presentation" (such as certain contracts to buy and sell non-financial items that can be settled net in cash or another financial instrument).

This amendment must be applied for the first time to financial years starting on or after 1 July 2014. The amendment must be applied prospectively from the beginning of the financial year in which IFRS 13 is applied for the first time. This may be voluntarily applied earlier.

IAS 40 – Investment Property

The amendment clarifies that the scope of IAS 40 "Investment Property" and IFRS 3 "Business Combinations", are independent of one another, meaning that they cannot mutually exclude one another under any circumstances. Consequently, each acquisition of investment property is to be assessed on the basis of IFRS 3 criteria to determine whether the acquisition relates to a single asset, a group of assets or a business within the scope of IFRS 3. The criteria of IAS 40.7 et seq. are also to be applied to determine whether these relate to investment property or owner-occupied property.

This amendment must be applied for the first time to financial years starting on or after 1 July 2014. This may be voluntarily applied earlier. It is generally applied prospectively for all acquisitions of investment property concluded from the beginning of the first period in which the amendment is applied for the first time, meaning that previous-year figures do not need to be adjusted. Provided all necessary information has been complied, the amendment may be applied voluntarily to specific acquisitions concluded earlier.

C. Principles of consolidation

a) Effective date of consolidation

The consolidated balance sheet date is 31 December, which corresponds to the effective date of the annual financial statements of the parent company and the subsidiaries.

b) Consolidated subsidiaries

The financial statements of the Company and of the companies controlled by the Company (its subsidiaries) are included in the consolidated financial statements as at 31 December of each year. The term control applies when the Company has the ability to determine the financial and business policy of a company, thereby deriving economic benefit. The capital consolidation principles applied within CGM are described below:

(i) Changes in the Group's ownership interests in existing subsidiaries

Changes in ownership interests in subsidiaries within the CGM group, which do not trigger a loss of control over the respective subsidiaries, are accounted for as equity transactions. The carrying values of interests and non-controlling interests held by CGM Group are adjusted in a way so as to reflect the changes in interests in the subsidiaries. Any differences between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and allocated to shareholders of the parent company.

If the Company loses control of a subsidiary, the deconsolidation gains or losses are recognized in the income statement and are calculated as follows:

- The total amount of the fair value of the consideration received and the fair value of the retained interest and
- The carrying amount of the asset (including goodwill), the liabilities of the subsidiary and any non-controlling interests.

As in a sale of assets, all amounts recognized as other comprehensive income in connection with this subsidiary are accounted for accordingly, resulting in a reclassification to the income statement, or a direct transfer to retained earnings.

All shares in the former subsidiary held by the Company are recognized at the fair value determinable at the time of loss of control. This value represents the cost of the shares which are to be evaluated in the context of a subsequent assessment relative to the degree of control in accordance with IAS 39 "Financial Instruments: Recognition and Measurement", or according to the requirements for associated companies or joint ventures.

(ii) Acquisition of subsidiaries

CGM Group accounts for the acquisition of businesses using the acquisition method. Consideration transferred in a business acquisition is measured at fair value. This is determined from the sum of the fair values of the assets and liabilities assumed on the date of acquisition as well as equity instruments issued by the Group in exchange for control of the acquired company. Transaction costs associated with business combination are recognized in the income statement.

The identifiable assets acquired and liabilities assumed are measured at fair value with the following exceptions:

- Deferred tax assets or deferred tax liabilities as well as assets or liabilities for employee benefits are recognized and measured in accordance with IAS 12 "Income Taxes" and IAS 19 "Employee Benefits"
- Liabilities or equity instruments based on share-based payment or replacement of share-based payments by CGM Group are measured on the acquisition date in accordance with IFRS 2 "Share-based Payment" and
- Assets (or disposal groups) classified as held for sale are measured in accordance with IFRS 5 "Non-current Assets Held For Sale and Discontinued Operations".

Goodwill is the residual of the sum of the consideration transferred, the amount of any non-controlling interests in the acquired company and, if available, the fair value of equity interest previously held by the acquirer in the acquired company, less the fair value of acquired identifiable assets and liabilities at the date of acquisition. To the extent that the assessment of an acquisition of a subsidiary results in negative goodwill, it will be recognized immediately as income in the income statement.

In the event of the existence of non-controlling interests that convey property rights and ensure the shareholder's right to receive a proportionate share in the entity's net assets in case of liquidation, these interests are initially measured at either fair value or at the proportionate share of the identifiable net assets. This option can be exercised anew for each business combination. If there are other components of interests held by non-controlling shareholders, they are measured at fair value or by assessment criteria arising from other applicable standards. Liabilities from put options on non-controlling interests are measured at initial recognition at their fair value. Since the initial recognition of these liabilities has not been clearly defined in equity, the equity share of non-controlling interests are reduced or written off regardless of the transfer of risks and rewards of ownership of the shares concerned.

If contingent consideration is a component of the consideration transferred for the acquisition of the subsidiary, it will be measure at fair value at the date of acquisition. Resulting changes in the fair value of the contingent consideration are adjusted retrospectively within the valuation period and offset accordingly against goodwill. Adjustments carried out within the valuation period of business combinations reflect additional information about facts and circumstances that existed at the acquisition date, but could not yet be conclusively considered. As a rule, the valuation period expires one year after the acquisition date.

The accounting of changes in the fair value of contingent consideration, which should not be interpreted as adjustments in the course of the valuation period, is carried out in close dependence on how contingent consideration is classified. If contingent consideration consists of equity, no subsequent measurement is to be conducted on future reporting dates. The fulfilment of contingent consideration is accounted for within equity. If contingent consideration constitutes an asset or a liability, provisions, contingent liabilities and contingent assets are to be measured in accordance with IAS 39 or IAS 37 on future financial reporting dates, if applicable. Any resulting gains or losses are recognized in the income statement.

In the event of a gradual merger, the equity share previously held by the entity in the acquired entity is to be measured at the fair value prevailing at the acquisition date. The resulting gains or losses are recognized in the income statement.

Changes in the value of the acquirer's equity interests held prior to the acquisition date, which are to be recognized in other comprehensive income, are reclassified to the income statement when the entity obtains control of the acquired entity.

If the first-time accounting of a business combination has not yet been completed by the end of a financial year, the preliminary valuations are provided by CGM.

If new information illuminating the circumstances of the acquisition date comes to light within the valuation period, the provisionally recognized amounts will be corrected, or if necessary, additional assets and liabilities will be recognized.

The financial results of the subsidiaries acquired or sold in the course of the year are included in the consolidated income statement beginning on the date of acquisition or on the date of loss of control.

If necessary, the annual financial statements of the subsidiaries are adjusted so that their accounting and measurement methods match those applied to the Group.

(iii) Goodwill

Goodwill resulting from a business combination is stated at cost, and to the extent necessary, less any impairment losses, and is presented separately in the consolidated balance sheet.

For the purpose of impairment testing, goodwill is to be allocated to each of the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination.

Cash-generating units, to whom a part of the goodwill has been allocated, shall be tested for impairment at least annually. If there is concrete evidence indicating a unit has been impaired, it will be subject to more frequent impairment checks. If the recoverable amount of a cash-generating unit is less than the unit's carrying amount, the resulting impairment loss is initially allocated to the carrying amount of each goodwill associated with the unit, and then pro rata to the other assets on the basis of the carrying amount of each asset within the unit. Any impairment loss of goodwill is recognized directly in the income statement. The amount recognized as impairment loss of goodwill may not be reversed in future periods.

In the case of disposal of a cash-generating unit, the attributable amount of goodwill is taken into account when determining gains or losses on disposal.

c) Associated companies and joint ventures

CGM accounts for associated companies using the equity method. An associated company is an entity over which the Group is in a position to exercise significant influence, but not control, through participation in its financial and operating policies. Significant influence is presumed when the Group holds a voting interest of 20 percent in such an entity and bases the entity's status as company on this relationship. To the extent that a Group company conducts business transactions with an associated company, the resulting unrealized gains or losses are eliminated to the extent of the Group's interest in the associated company, unless the transaction hint at an impairment of the transferred asset.

Joint ventures are accounted for using the equity method. To the extent a Group company conducts transactions with a joint venture, any resulting unrealized gains or losses are eliminated in relation to the Group's interest in the associated company.

Goodwill arising from the acquisition of an associated company or a jointly controlled entity is included in the amortized carrying amounts of the interest in the associated companies or jointly controlled entities. To determine whether indicators exist that make an impairment of investments in associated companies or joint ventures necessary, the provisions of IAS 39 are applied accordingly. If an impairment test is to be carried out, the carrying amount of the interest (including goodwill) is tested according to the requirements of IAS 36 for impairment. To this end, the recoverable amount of the investment is compared with the carrying amount of the interest. Any resulting impairment loss is offset against the carrying value. Impairment losses are not allocated to assets, including goodwill, contained in the interest's carrying amount. If the recoverable amount rises again in subsequent years, an impairment loss is reversed in accordance with IAS 36.

In the event of the disposal of an associated company or jointly controlled entity, the attributable amount of goodwill is taken into account in determining the deconsolidation.

In the CGM group, five associated companies are measured using the equity method. The accounting and measurement methods for associated companies were changed as necessary to guarantee uniform accounting principles throughout the Group.

d) Consolidation group

All included financial statements of CGM Group are prepared according to uniform accounting and measurement methods.
The consolidated financial statements are prepared at the level of CompuGroup Medical AG, Koblenz (parent company).

(i) Change in consolidation group

The following changes have occurred within the consolidation Group, as compared with the previous year:

Change in consolidation group	Germany	Other countries	Total
CompuGroup Medical AG and consolidated subsidiaries as at 31.12.2012	**16**	**46**	**62**
Additions	4	8	12
Disposals	2	2	4
Total as at 31.12.2013	**18**	**52**	**70**

Addition of KoCo Connector AG, Berlin to the Group consolidation circle

Because of contractual agreements concluded between CGM AG and the company KoCo Connector AG, Berlin, hereunder a loan and option agreement, KoCo Connector AG is included in the consolidated financial statements of the CGM Group. In this loan and option agreement, CGM AG is granted the right to appoint the majority of the members of the Supervisory Board and thus to determine the operating and financing policies of KoCo Connector AG, which leads to a controlling relationship. The business of KoCo Connector AG is to develop technology components to support secure information exchange in data networks. The market focus for the company is the coming Telematics Infrastructure of the German healthcare sector. The primary goal of KoCo Connector AG here is the development and production of a so called 'Konnektor', to be used by ambulatory care providers to connect to the planned German healthcare information highway based on the specifications of the Gematik organization (The Society of Telematics applications of the German Electronic Health Card). In order to adequately support the existing processes in the Telematics Infrastructure, KoCo Connector AG also develops technical solutions for the mobile use of the Konnektor device. Furthermore, the Konnektor can be used in hospitals, by healthcare providers without primary systems and later in any networked household. For the marketing of the Konnektor, KoCo Connector AG has a network of sales and service partners, such as system houses for practice management and electronic health records software and system integrators. The effects of the initial consolidation of KoCo Connector AG on the consolidated financial statements 2013 of CGM Group are as follows:

Assets	01.01.2013 EUR '000	31.12.2013 EUR '000
Non-current assets		
Intangible assets	4,466	5,200
Property, plant and equipment	15	33
	4,481	**5,234**
Current assets		
Trade receivables	21	11
Other financial assets	-7,883	-9,660
Other non-financial assets	10	122
Securities (recognized as profit or loss at fair value)	0	9
Cash and cash equivalents	94	107
	-7,758	**-9,410**
	-3,277	**-4,177**

Equity and liabilties	01.01.2013 EUR ' 000	31.12.2013 EUR '000
Equity		
Provisions	-172	-172
Capital and reserves allocated to the shareholder of the parent company	-172	-172
Non-controlling interests	-3,176	-4,247
	-3,348	**-4,419**
Current liabilities		
Trade payables	34	135
Provisions	3	3
Other financial liabilities	24	0
Other non-financial liabilities	10	103
	71	**242**
	-3,277	**-4,177**

(ii) Company acquisitions and disposals

The acquisitions made by CGM in 2013 with their values as of the acquisition date and effects on the consolidated financial statements are shown in the following table:

EUR '000	Total 2013	änd Ärztenach-richtendienst Verlags-AG, Germany	Meditec GmbH, Germany	Studiofarma* Srl, Italy	Qualità in Farmacia Srl, Italy	Tekne Srl, Italy	Asset acquisition "Opas Sozial", Germany	Asset acquisition "Neurone R&D" and other additions
Purchase date		**01.01.2013**	**01.02.2013**	**01.08.2013**	**01.08.2013**	**01.08.2013**	**01.09.2013**	**–**
Voting rights acquired in %		**100**	**100**	**95.72**	**100**	**100**	**–**	**–**
Acquired assets and liabilities assumed recognized at acquisition date								
Non-current assets								
Software	3,286	418	266	783	1,164	383	208	64
Customer relationships	11,412	2,177	1,553	1,914	2,590	2,257	711	210
Brands	1,087	0	65	328	542	76	33	43
Order backlog	0	0	0	0	0	0	0	0
Property and buildings	1,301	0	0	0	1,301	0	0	0
Other fixed assets and office equipment	432	19	19	95	295	4	0	0
Other non-current financial assets	107	0	107	0	0	0	0	0
Other non-current non-financial assets	37	0	0	0	0	0	0	37
Deferred tax assets	0	0	0	0	0	0	0	0
Current assets								
Cash and cash equivalents	3,235	291	300	2,079	555	10	0	0
Inventories	610	0	0	0	590	20	0	0
Trade receivables	7,677	109	11	2,170	4,946	130	0	311
Other current financial assets	112	6	0	81	25	0	0	0
Other current non-financial assets	989	0	15	337	631	6	0	0
Other assets	462	85	0	70	307	0	0	0
Non-current liabilities								
Pensions	1,966	0	0	458	1,488	20	0	0
Other provisions	0	0	0	0	0	0	0	0
Liabilities to banks	667	0	0	0	667	0	0	0
Other financial liabilities	44	0	0	44	0	0	0	0
Other non-financial liabilities	0	0	0	0	0	0	0	0
Other liabilities	0	0	0	479	0	0	0	0
Deferred tax	4,716	781	567	950	1,444	868	0	106

EUR '000	Total 2013	änd Ärztenach-richtendienst Verlags-AG, Germany	Meditec GmbH, Germany	Studiofarma* Srl, Italy	Qualità in Farmacia Srl, Italy	Tekne Srl, Italy	Asset acquisition "Opas Sozial", Germany	Asset acquisition "Neurone R&D" and other additions
Current liabilities								
Trade payables	3,046	23	59	919	1,984	61	0	0
Contingent liabilities	0	0	0	0	0	0	0	0
Liabilities to banks	5	5	0	0	0	0	0	0
Other liabilities	228	71	18	122	17	0	0	0
Liabilities to banks	5	5	0	0	0	0	0	0
Other financial liabilities	228	71	18	122	17	0	0	0
Other non-financial liabilities	5,012	297	22	815	3,713	112	12	41
Net assets acquired	**14,337**	**1,928**	**1,670**	**3,874**	**3,593**	**1,815**	**940**	**518**
Purchase price paid in cash	19,332	2,284	1,562	5,351	6,990	2,100	1,000	645
Liabilities assumed	3,865	1,000	764	491	308	938	286	48
of which contingent consideration	2,667	0	794	491	308	788	286	0
of which issued equity instruments	0	0	0		0	0	0	0
Total consideration transferred	**23,797**	**3,284**	**2,356**	**5,842**	**7,298**	**3,038**	**1,286**	**693**
Non-controlling interests	200	0	0	200	0	0	0	0
Goodwill	**9,660**	**1,356**	**686**	**2,168**	**3,705**	**1,223**	**346**	**175**
Acquired cash and cash equivalents	3,235	291	300	2.079	555	10	0	0
Purchase price paid in cash	19,932	2,284	1,562	5,351	6,990	2,100	1,000	645
Prepayments on acquisitions	18,000	0	0	0	0	0	0	0
Payments for acquisitions after date of acquisition	22,411	0	0	0	0	0	0	0
Cash outflow for acquisitions (net)	**-16,697**	**-1,993**	**-1,262**	**-3,272**	**-6,435**	**-2,090**	**-1,000**	**-645**
Effects of the acquisition on Group result								
Sales revenue following date of acquisition	9,936	1,170	781	1,917	5,402	163	228	275
Result following date of acquisition	693	191	126	164	-29	15	0	226
Sales revenue in 2013 (hypothetical date of acquisition 1 January 2013)	20,802	1,170	875	4,710	12,656	432	684	275
Result 2013 (hypothetical date of acquisition 1 January 2013)	106	191	137	121	-581	12	0	226
Costs attributable to the acquisition	**551**	**3**	**2**	**146**	**178**	**73**	**0**	**149**

*All data provided refers to Studiofarma Group. In addition to Studiofarma Srl, the companies SF Sanità Srl and FarLoyality Srl belong to the Group.

Acquisition of control in Dr. Ralle Medienholding GmbH / änd Ärztenachrichtendienst Verlags-AG, Germany

As of 1 January 2013, CompuGroup Medical Deutschland AG, a 100 percent subsidiary of CompuGroup Medical AG, acquired control in Dr. Ralle Medienholding GmbH (formerly Perikles 20134 Vermögensverwaltung GmbH), Germany, and its subsidiary Ärztenachrichtendienst Verlags-AG ("ÄND"), Germany. The shareholding of Dr. Ralle Medienholding GmbH in ÄND is 100 percent. ÄND is the operator of the independent German physician network "Hippokranet" with more than 51,000 registered members including office-based physicians and hospital doctors of all specialties. ÄND has its own editorial staff which provides information on topics of health, professional and social policy, and medicine. In addition, companies in the pharmaceutical industry are offered access to the network of physicians. ÄND also publishes the quarterly waiting room magazine called "Durchblick Gesundheit".

The acquisition of control in ÄND was initially done with the intention to divest completely. ÄND was therefore classified as "Assets of disposal group classified as held for sale" according to the criteria of IFRS 5. This plan was changed in November 2013 to a new plan in which the shareholdings of ÄND will be partially sold.

The acquisition table shown previously displays the acquired assets and liabilities assumed from the continuing operations (business area "marketing") as well as discontinued operations (business area "online portal" and "publishing") at the time of acquisition of control over the Dr. Ralle Medienholding and ÄND group. The acquired assets and liabilities associated with the discontinued activities are recognized and measured as disposal group classified as held for sale in accordance with the provisions of IFRS 5. A detailed description of the discontinued operations can be found in chapter 11, discontinued operations.

From the company acquisition, CGM expects to strengthen and grow the marketing agency business and to realize synergies by gaining know-how and improving cost efficiency. The goodwill value of TEUR 1,356 reflects the whole acquired business and results especially from the synergies associated with the inclusion of the continued operation "marketing" in the Group. The Company does not anticipate that the estimated goodwill will be deductible for income tax purposes.

The fair value of the acquired intangible assets amounted to TEUR 2,595.

The final form of the initial accounting for the acquisition of control in the Dr. Ralle Medienholding and ÄND group was made at the end of the fiscal year 2013. The receivables and payables associated with the acquisition, which essentially consist of trade receivables and payables, are balanced at book values at the date of acquisition of control, which corresponds to fair value based on the expected collection period and the best estimate of access to contractual cash flows. Uncollectible receivables were not identified at the time of initial recognition. There were no contingent liabilities or contingent assets and identified provisions for pensions and similar obligations under the initial accounting.

Acquisition of Meditec GmbH, Germany

In January 2013, CompuGroup Medical AG acquired a 70 percent share of Meditec GmbH via its fully-owned subsidiary CompuGroup Medical Deutschland AG. Meditec GmbH specializes in software-controlled TV-media for pharmacies. Consolidation began on 1 February 2013.

The fixed purchase price for the acquired 70 percent of the shares in Meditec GmbH amounted to EUR 1,400 thousand plus an increase in the purchase price of EUR 162 thousand according to the contractually agreed purchase price adjustment clause on the acquired net assets ("Net Equity"). In addition, CGM was granted a call option to acquire the outstanding 30 percent of the shares. The call option can be exercised any time and will run until 31 December 2016. The call option is based on an exercise price corresponding to two times the sustainable recurring revenues of Meditec GmbH achieved in the year prior to the option exercise, multiplied by the percentage of outstanding shares (30 percent). The minimum payment on exercise of the call option is EUR 1,000 thousand. The Seller has been granted two put options. The first put option has a maturity date of 31 December 2016 and can be exercised at any time. This option has an exercise price calculated as two times the sustainable recurring revenues of Meditec GmbH achieved in the year prior to the option exercise, multiplied by the percentage of outstanding shares (30 percent). The second put option occurs only if the call option of the purchaser has not been exercised until expiration of the set period (31 December 2016). The exercise period for this second put option runs from 01 January 2017 to 31 March 2017. Here, the payment amount is calculated upon exercise of the put option using the following scale:

– One times the sustainable recurring revenues of the fiscal year 2016, if this is less than EUR 3,000 thousand, multiplied by the percentage of outstanding shares (30 percent).
– Two times the sustainable recurring revenues of the fiscal year 2016, if this is equal or more than EUR 3,000 thousand, multiplied by the percentage of outstanding shares (30 percent).

The put options described above were valued by CGM accordingly and are reported as expected purchase price liabilities in the consolidated balance sheet (TEUR 753). Non-controlling interest are not reported due to the put-options granted.

From this acquisition, CGM expects to be able to expand its business with pharmacies in Germany by offering additional products and services, and to realize synergies by gaining know-how and improving cost efficiency. The goodwill value of TEUR 686 results from the resulting synergies from the incorporation of Meditec GmbH in the Group. The Company does not anticipate that the estimated goodwill will be deductible for income tax purposes.

The fair value of the acquired intangible assets amounted to EUR 1,884 thousand.

The final form of the initial accounting for the acquisition of Meditec GmbH was made at the end of the fiscal year 2013. The receivables and payables associated with the acquisition, which essentially consist of trade receivables and payables, are balanced at book values at the date of acquisition of control, which corresponds to fair value based on the expected collection period and the best estimate of access to contractual cash flows. Uncollectible receivables were not identified at the time of initial recognition. There were no contingent liabilities or contingent assets and identified provisions for pensions and similar obligations under the initial accounting.

Foundation of CompuGroup Lab Solutions France SAS and acquisition of the assets of Neurone R&D SAS, France

With effect 12 April 2013 CompuGroup Lab Solutions France SAS ("CGM Lab France") was founded with headquarters in France. Effective 30 April 2013 CGM France SAS acquired the assets of Neurone R & D SAS, Marseille. Neurone develops and delivers laboratory information systems. Consolidation began 1 May 2013

From the foundation of CGM Lab France and acquisition of the assets of the Neurone, CGM makes the first entry into the French market for laboratory information systems. From this, CGM expects to realize synergies by gaining know-how and improving cost efficiency. The goodwill value of TEUR 175 results from the resulting synergies from the incorporation of CGM Lab France in the Group. The Company does not anticipate that the estimated goodwill will be deductible for income tax purposes.

The fair value of the acquired intangible assets amounted to EUR 316 thousand.

The final form of the initial accounting for the acquisition of the assets of Neurone R&D SAS was made at the end of the fiscal year 2013. The receivables and payables associated with the acquisition, which essentially consist of trade receivables and payables, are balanced at book values at the date of acquisition of control, which corresponds to fair value based on the expected collection period and the best estimate of access to contractual cash flows. Uncollectible receivables were not identified at the time of initial recognition. There were no contingent liabilities or contingent assets and identified provisions for pensions and similar obligations under the initial accounting.

Acquisition Studiofarma Srl (including SF Sanità Srl und FarLoyality Srl) and Qualità in Farmacia Srl, Italy

In July 2013 the 100 percent subsidiary of CGM AG, CGM Italia SpA, acquired the majority of the shares of the Italian market leader for pharmacy software, Studiofarma Srl, Brescia, and its largest distributor, Qualità in Farmacia Srl, Novara. This acquisition adds approximately 4,875 pharmacies in Italy to the CGM customer base.

The purchase price for the acquired 86.43 percent of the shares in Studiofarma amounted to EUR 5,350 thousand. In addition, it was agreed for the acquisition of further 9.29 percent of the shares a put and call option with a fixed exercise price of EUR 597 plus changes in the ISTAT index. The put option is accounted for as a discounted purchase price liability at the acquisition date (EUR 491 thousand). Non-controlling interests on the granted put-options of 9.29 percent are not reported.

The purchase price for the acquired 95 percent stake in the Qualità in Farmacia amounted to EUR 6,990 thousand. In addition, it was agreed to acquire the outstanding 5 percent of the shares a put and call option with a fixed exercise price of EUR 375 plus changes in the ISTAT index. The put option is accounted for as a discounted purchase price liability at the acquisition date (EUR 308 thousand).

Consolidation began 1 August 2013.

From this acquisition, CGM made the entry into the Italian market for pharmacy software. CGM expects to grow the business and offer additional products and services to the customers, and to realize synergies, e.g. by the use of the distribution network and logistics for the hardware business and by gaining know-how and improving cost efficiency. The goodwill values of EUR 2,168 thousand for Studiofarma and EUR 3,705 thousand from Qualità in Farmacia result from the resulting synergies from the incorporation of the two companies in the Group. The Company does not anticipate that the estimated goodwill will be deductible for income tax purposes.

The fair values of the acquired intangible assets amount to EUR 3,025 thousand for Studiofarma and EUR 4,312 thousand for Qualità in Farmacia.

The final form of the initial accounting for the acquisition of Studiofarma and Qualità in Farmacia was made at the end of the fiscal year 2013. The receivables and payables associated with the acquisition, which essentially consist of trade receivables and payables, are balanced at book values at the date of acquisition of control, which corresponds to fair value based on the expected collection period and the best estimate of access to contractual cash flows. Uncollectible receivables were not identified at the time of initial recognition.

The fair value of inventories in Qualità Farmacia corresponded to approximately the acquired inventories at book value.

Provisions for pensions and similar obligations at the time of initial accounting amounted to EUR 458 thousand for Studiofarma and EUR 1,488 thousand for Qualità in Farmacia. There were no contingent liabilities or contingent assets identified as part of the initial accounting.

Acquisition of Tekne Srl, Italy

In July 2013, CGM Italia SpA, a 100 percent subsidiary of CompuGroup Medical AG, acquired 80 percent of the shares in Tekne Srl, based in Ragusa. Tekne develops software solutions for dentists and is with its software Xdent market leader for Mac OS dental information systems in Italy. Through the acquisition of Tekne, CGM gains an additional 500 dental customers.

The purchase price for 80 percent of the shares was EUR 2,250 thousand (of which EUR 2,100 have been paid out). In addition, put and call options have been agreed for the outstanding 20 percent of the shares with an exercise price corresponding to the software maintenance revenue of Tekne achieved in the year of exercise of the option. The exercise period of the call option on the first 10 percent will run from 1 January 2017 to 30 June 2017. The exercise period of the agreed put option on the first 10 percent will run from 1 July 2017 to 31 December 2017. The expected payment under the put option for the first 10 percent of the outstanding shares amounts to EUR 500 thousand and is accounted for as a discounted purchase price liability in CGM (EUR 413 thousand) at the acquisition date. The exercise period of the call option on the second 10 percent will run from 1 January 2019 to 30 June 2019. The exercise period of the agreed put option on the second 10 percent will run from 1 July 2019 to 31 December 2019. The expected payment under the put option for the second 10 percent of the outstanding shares amounts to EUR 500 thousand and is accounted for as a discounted purchase price liability in CGM (EUR 375 thousand) at the acquisition date.

Consolidation of Tekne began 1 August 2013.

From this acquisition, CGM expects to expand its dental software business in Italy by offering innovative software xDent and services and to realize synergies by gaining know-how and improving cost efficiency. The goodwill value of EUR 1,223 thousand for Tekne results from the resulting synergies from the incorporation of the company in the Group.

The fair value of the acquired intangible assets amounted to TEUR 2,716.

The receivables and payables associated with the acquisition, which essentially consist of trade receivables and payables, are balanced at book values at the date of acquisition of control, which corresponds to fair value based on the expected collection period and the best estimate of access to contractual cash flows. Uncollectible receivables were not identified at the time of initial recognition.

Provisions for pensions and similar obligations at the time of initial accounting amounted to EUR 20 thousand. There were no contingent liabilities or contingent assets identified as part of the initial accounting.

Acquisition of the assets and liabilities of the business unit “OPAS Sozial”, Germany

In September 2013, CGM Systema Deutschland GmbH, a 100 percent subsidiary of CompuGroup Medical AG, acquired the business area “OPAS Sozial”. Through this acquisition, CGM gains, in addition to the acquired employees of the division, also 140 new installations in the area of social services and the OPAS software.

The fixed purchase price for the acquired assets and liabilities of the business unit OPAS Sozial amounted to EUR 1,000 thousand. In addition, an earn-out agreement was made which entitles the sellers to 20 percent of the revenues from software maintenance and service contracts and the license sales from the division OPAS Sozial for the next three financial years. The expected payment under the earn-out amounts to EUR 306 thousand and is accounted for as a discounted purchase price liability in CGM at the acquisition date (EUR 286 thousand).

From the acquisition of the assets of Opas Sozial, CGM expects to expand its business in the field of social services in Germany by offering additional products and services and through various cross-selling opportunities. From this, CGM expects to realize synergies by gaining know-how and improving cost efficiency. The goodwill value of EUR 346 thousand results from the resulting synergies from the incorporation of Opas Sozial in the Group. The Company does not anticipate that the estimated goodwill will be deductible for income tax purposes.

The fair value of the acquired intangible assets amounted to EUR 952 thousand.

The final form of the initial accounting for the acquisition of Opas Sozial was made at the end of the fiscal year 2013. The receivables and payables associated with the acquisition, which essentially consist of trade receivables and payables, are balanced at book values at the date of acquisition of control, which corresponds to fair value based on the expected collection period and the best estimate of access to contractual cash flows. Uncollectible receivables were not identified at the time of initial recognition. There were no contingent liabilities or contingent assets and identified provisions for pensions and similar obligations under the initial accounting.

(iii) Subsidiaries included in the scope of consolidation

	Company name		Registered office	Equity voting rights %
	Subsidiaries in the region Central Europe (CER)			
1	AESCU DATA Gesellschaft für Datenverarbeitung mbH	1)	Winsen	100.0
2	CompuGroup Medical Deutschland AG		Koblenz	100.0
3	CompuGroup Medical Dentalsysteme GmbH		Koblenz	100.0
4	CompuGroup Medical Mobile Services GmbH	6)	Stuttgart	100.0
5	CompuGroup Medical Managementgesellschaft mbH		Koblenz	100.0
6	ifap Institut für Unternehmensberatung und Wirtschaftsdienste im Gesundheitswesen GmbH	4)	Neu-Golm	93.0
7	ifap Service Institut für Ärzte und Apotheker GmbH		Martinsried	100.0
8	Intermedix Deutschland GmbH	5)	Koblenz	100.0
9	IS Informatik Systeme Gesellschaft für Informationstechnik mbH	6)	Kaiserslautern	60.0
10	LAUER-FISCHER GmbH		Fürth	100.0
11	LAUER-FISCHER ApothekenService GmbH	3)	Koblenz	100.0
12	CGM Systema Deutschland GmbH		Koblenz	100.0
13	Privadis GmbH	3)	Cologne	50.0
14	AESCU DATA Gesellschaft für Datenverarbeitung mbH AT	9)	Steyr/Austria	100.0
15	Meditec GmbH	3)	Steinhagen	70.0
16	Dr. Ralle Medienholding GmbH (formerly: Perikles 20124 Vermögensverwaltung GmbH)		München	100.0
17	änd Ärztenachrichtendienst Verlags-AG	27)	Hamburg	100.0
18	KoCo Connector AG*		Berlin	0.0
	Subsidiaries in the region Central Eastern Europe (CEE)			
19	CompuGroup Medical CEE GmbH		Vienna/Austria	100.0
20	CompuGROUP Österreich GmbH	10)	Steyr/Austria	100.0
21	HCS Health Communication Service Gesellschaft m.b.H.	10)	Steyr/Austria	100.0
22	INNOMED Gesellschaft für medizinische Softwareanwendungen GmbH	10)	Wiener Neudorf/Austria	70.3
23	Intermedix Österreich GmbH	10)	Vienna/Austria	100.0
24	Systema Human Information Systems Gesellschaft m.b.H.	10)	Steyr/Austria	100.0
25	CompuGroup Medical Schweiz AG	10)	Köniz/Switzerland	100.0
26	CompuGroup Medical Polska Sp. z o.o.		Lublin/Poland	100.0
27	CompuGroup Medical Ceská republika s.r.o.	11)	Prague/Czech Republic	100.0
28	Intermedix Ceská republika s.r.o.	12)	Prague/Czech Republic	100.0
29	CompuGroup Medical Slovensko s.r.o.	12)	Bratislava/Slovakia	100.0
30	CompuGroup Medical Bilgi Sistemleri A.S.	14)	Istanbul/Turkey	100.0
	Subsidiaries in the region North Europe (NER)			
31	CompuGroup Medical Norway AS	7)	Lysaker/Norway	100.0
32	Profdoc AS		Lysaker/Norway	100.0
33	CompuGroup Medical Sweden AB	7)	Uppsala/Sweden	100.0
34	Lorensbergs Communication AB	23)	Göteborg/Sweden	100.0
35	Lorensbergs Holding AB	7)	"Göteborg/Schweden"	100.0
36	CompuGroup Medical Denmark A/S	7)	Randers/Denmark	100.0
37	CompuGroup Medical Nederland B.V.	21)	Echt/Netherlands	100.0
38	CompuGroup Medical Holding Coöperatief U.A.	20)	Echt/Netherlands	100.0
39	CompuGroup Medical Belgium BVBA	15)	Nevele/Belgium	100.0

	Company name		Registered office	Equity voting rights %
40	CompuGroup Medical Nederland Technical Services B.V.	22)	Echt/Netherlands	100.0
41	CompuGroup Medical Nederland Software and Services B.V.	21)	Echt/Netherlands	100.0
42	Microbais Werkmaatschappij B.V.	21)	Amsterdam/Netherlands	100.0
43	Hethis B.V.	24)	Amsterdam/Netherlands	100.0
44	Microbais Automatisering B.V.	24)	Amsterdam/Netherlands	100.0
45	Microbais Auxiliare B.V.	24)	Amsterdam/Netherlands	100.0
46	MediPharma Online B.V.	24)	Amsterdam/Netherlands	100.0
	Subsidiaries in the region South Europe (SER)			
47	CompuGroup Medical Solutions SAS	16)	Montpellier/ France	100.0
48	Intermedix France SAS	16)	Rueil-Malmaison/ France	100.0
49	CompuGroup Medical France SAS		Rueil-Malmaison/ France	100.0
50	CompuGroup Medical Italia SpA		Molfetta/Italy	100.0
51	Intermedix Italia S.r.l.	17)	Molfetta/Italy	100.0
52	Effepieffe S.r.l	17)	Molfetta/Italy	100.0
53	CG Lab Solutions France SAS	25)	Rueil-Malmaison/ France	100.0
54	CompuGroup Medical Italia Holding S.r.l.		Mailand/Italy	100.0
55	CGM XDENT Software S.r.l. (formerly: Tekne S.r.l.)	17)	Ragusa/Italy	80.0
56	Studiofarma S.r.l.	26)	Brescia/Italy	90.7
57	Qualità in Farmacia S.r.l.	26)	Novara/Italy	95.0
58	SF Sanità S.r.L	28)	Brescia/Italy	60.0
59	Farloyalty s.r.l.	28)	Brescia/Italy	51.0
	Subsidiaries in the region United States und Canada (USC)			
60	All for One Software, Inc.	2)	Los Angeles/USA	100.0
61	CompuGroup Holding USA, Inc.		Delaware/USA	100.0
62	CompuGroup Medical, Inc.	18)	Delaware/USA	100.0
63	All for One Software, Inc.	19)	Vancouver/Canada	100.0
	Subsidiaries in the region "Other" (OTH)			
64	CompuGroup Medical South Africa (Pty) Ltd.	13)	Stellenbosch/ South Africa	85.0
65	CompuGroup Medical Malaysia Sdn Bhd	7)	Kuala Lumpur/Malaysia	100.0
66	CompuGroup Medical Software GmbH	3)	Koblenz	100.0
67	CompuGroup Medical LAB AB	8)	Borlänge/Sweden	100.0
68	Intermedix ESPANA SL		Madrid/Spain	100.0
69	UCF Holding S.a.r.l.	3)	Luxembourg/Luxembourg	100.0
70	CGM Life AG		Hergiswil/Switzerland	100.0
	Associated companies (at equity)			
71	Mediaface GmbH		Hamburg	49.0
72	AxiService Nice S.a.r.l.	16)	Nice/France	28.0
73	Technosante Nord-Picardie SAS	16)	Lille/France	20.0
74	Medigest Consultores, S.L.		Madrid/Spain	49.0
75	CGM-Alstar Healthcare Solutions Sdn Bhd	29)	Kuala Lumpur/Malaysia	45.0

	Company name		Registered office	Equity voting rights %
	Other participations			
76	Savoie Micro S.a.r.l.	16)	Meythet/France	10.0
77	Technosante Toulouse S.A.S.	16)	Toulouse/France	10.0
78	Consalvo Servizi S.r.l.	28)	Salerno/Italy	5.0

*Included in the consolidated financial statements in accordance with IAS 27.13 (c) and §290 Abs. 1 HGB due to the granted right to appoint the majority of the members of the Supervisory Board.

1) Subsidiary of CGM Managementgesellschaft mbH
2) Subsidiary of CGM Systema Deutschland GmbH
3) Subsidiary of CompuGroup Medical Deutschland AG
4) Subsidiary of ifap Service Institut für Ärzte und Apotheker GmbH
5) Subsidiary of CompuGroup Medical Dentalsysteme GmbH
6) Subsidiary of LAUER-FISCHER GmbH
7) Subsidiary of Profdoc AS
8) Subsidiary of CompuGroup Medical Sweden AB
9) Subsidiary of AESCU DATA Gesellschaft für Datenverarbeitung mbH
10) Subsidiary of CompuGroup Medical CEE GmbH
11) Subsidiary of CompuGroup Medical AG (78.5%) and CompuGroup Medical Deutschland AG (21.5%)
12) Subsidiary of CompuGroup Medical Ceská republika s.r.o.
13) Subsidiary of CompuGroup Medical AG (55.88%) and Profdoc AS (29.12%)
14) Subsidiary of CompuGroup Medical AG (43.99%), CompuGroup Medical Deutschland AG (53.16%), Intermedix Deutschland GmbH (0%), CGM Systema Deutschland GmbH (0.48%), CompuGroup Medical Software GmbH (2.37%)
15) Subsidiary of CompuGroup Medical AG (99%) and CompuGroup Deutschland AG (1%)
16) Subsidiary of UCF Holding S.a.r.l
17) Subsidiary of CompuGroup Medical Italia SpA
18) Subsidiary of CompuGroup Holding USA, Inc.
19) Subsidiary of All for One Software, Inc.
20) Subsidiary of CompuGroup Medical AG (99.98%) and CompuGroup Medical Deutschland AG (0.02%)
21) Subsidiary of CompuGroup Medical Holding Coöperatief U.A.
22) Subsidiary of CompuGroup Medical Nederland B.V.
23) Subsidiary of Lorensbergs Holding AB
24) Subsidiary of Microbais Werkmaatschappij B.V.
25) Subsidiary of CompuGroup Medical France SAS
26) Subsidiary of CompuGroup Medical Italia Holding S.r.l.
27) Subsidiary of Dr. Ralle Medienholding GmbH
28) Subsidiary of Studiofarma S.r.l.
29) Subsidiary of CompuGroup Medical Malaysia Sdn Bhd

e) Debt consolidation

Receivables, liabilities and reserves between the companies included in the consolidated financial statements were offset.

f) Consolidation of results

Internal sales between the consolidated companies were offset against the expenditures attributable to them. Other earnings (including earnings from equity investments) were offset against the corresponding expenditures with the recipient of the services.

Interim profits from deliveries and services within the Group were eliminated.

g) Foreign currency conversion

In preparing the financial statements of each Group company, transactions, which are conducted in currencies other than the functional currency of the ultimate Group company (parent company), are translated using the exchange rates prevailing on the transaction date. The functional currency is the respective national currency as the currency of the primary business environment. At each reporting date, monetary items in foreign currencies are translated at the exchange rate prevailing at the time of closing. Non-monetary items denominated in foreign currencies, that are measured at fair value, are translated at the rates prevailing at the date of the determination of fair value. For costs, non-monetary items are translated using the exchange rate prevailing at the time they were first recognized on the balance sheet.

Exchange differences on monetary items are recognized in the period in which they occur. The only exceptions are:

- Exchange differences arising from borrowings denominated in foreign currency that occur with assets intended for productive use during the production process. They are attributed to production costs, provided they represent adjustments to the interest paid on borrowings denominated in foreign currency. Such exchange differences had no impact on the present consolidated financial statements of CGM as there are no areas to which these regulations relate.
- Exchange differences on transactions that were entered into to hedge against certain foreign currency risks. Such exchange rate differences had no impact on the present consolidated financial statements of CGM.

– Translation differences from monetary items to be obtained from, or payable to, a foreign business whose performance is neither planned nor likely to occur and thus part of the net investment in that foreign business. The translation differences are initially recognized in other comprehensive income or reclassified to the income statement when equity is sold. Such exchange rate differences had no impact on the present consolidated financial statements of CGM as there are no areas to which these regulations relate.

In preparing the consolidated financial statements, the assets and liabilities of the affiliated foreign currency operations are converted into euros (EUR) using the exchange rates prevailing on the reporting date. Income and expenses are translated at the average exchange rate for the period. Strong fluctuations in foreign currencies, which would trigger a conversion of income and expenses at the time of a transaction, are not relevant for the present consolidated financial statements. Equity is translated at historical rates.

In the event of disposal of a foreign business, all accumulated translation differences attributable to the Group recognized in other comprehensive income from this business are reclassified to the income statement. The transactions listed below are deemed disposals of a foreign business:

– The sale of the entire Group's interest in a foreign business,
– A partial disposal with loss of control over a foreign subsidiary or
– A partial disposal of an interest in a joint agreement or an associated company that includes a foreign business.

If a disposal of parts of a subsidiary that includes a foreign business takes place without causing a loss of control, the percentage of the amount of exchange rate differences attributable to the disposed portion is allocated to non-controlling interests as of the time of disposal. In the event of partial disposal of shares in associated companies or joint agreements without status change, the corresponding share of the amount of exchange rate differences (recognised in other comprehensive income) is reclassified to the income statement.

Goodwill resulting from the acquisition of a foreign business and adjustments to the fair values of identifiable assets and liabilities are treated as assets and liabilities of the foreign business and translated at the closing rate. The resulting exchange rate differences are recognized in the currency translation reserve.

The following table provides information on the exchange rates of the (essential) currencies used within CGM group:

	Closing exchange rate		Average exchange rate January to December	
EUR 1 equals	31.12.2013	31.12.2012	2013	2012
Danish Crowns (DKK)	7.46	7.44	7.46	7.44
Canadian Dollar (CAD)	1.47	1.32	1.37	1.29
Malaysian Ringgit (MYR)	4.52	3.95	4.19	3.96
Norwegian Crowns (NOK)	8.36	7.38	7.81	7.48
Polish Sloty (PLN)	4.15	4.07	4.20	4.18
Swedish Crowns (SEK)	8.86	8.61	8.65	8.70
Franc Switzerland (CHF)	1.23	1.21	1.23	1.21
South African Rand (ZAR)	14.57	11.20	12.83	10.54
Czech Crowns (CZK)	27.43	25.09	25.98	25.11
New Lira Turkey (TRY)	2.96	2.36	2.53	2.31
US Dollar (USD)	1.38	1.32	1.33	1.29

D. Summary of the principal accounting and measurement methods and underlying assumptions

Individual balance sheet and income statement items are summarized, disclosed and explained separately in the notes. Balance sheet items are subdivided into current and non-current items. Items are disclosed as non-current if they are realized after more than 12 months or outside a normal business cycle. Deferred taxes are always allocated to non-current items.

Intangible assets

Intangible assets acquired separately and as part of a business combination

CGM recognizes intangible assets with a certain useful life that were acquired separately and not as part of a business combination at cost less accumulated amortization and impairments. Intangible assets are amortized on a straight-line basis over the estimated useful life of the asset and recognized as expenses. Both the estimated useful life and the amortization method are reviewed at the end of each reporting period. Any changes from reassessments are taken into consideration prospectively.

If CGM acquires intangible assets with indefinite useful lives separately, these assets are recognized at cost less accumulated impairments. At the current time, CGM has no assets with indefinite useful lives.

Intangible assets acquired as part of a business combination are recognized separately from goodwill and measured at fair value at the time of acquisition. Intangible assets are amortized on a straight-line basis over the estimated useful life of the asset and recognized as expenses. Both the estimated useful life and the amortization method are reviewed at the end of each reporting period. Any changes from reassessments are taken into consideration prospectively.

For the amortization of intangible assets, the following values for useful life are used:

	Useful life in years
Acquired software	3 – 15
Customer relationships	10 – 30
Brands	5 – 30
Order backlogs	1 – 4

Amortizations as well as impairments and reversed impairments of intangible assets are recorded in the income statement under "Amortization of intangible assets."

The main part of intangible assets in the balance sheet comes from company acquisitions. With the exception of goodwill, CGM has no assets with indefinite useful lives at the current time.

Capitalized in-house services

Costs directly allocated to research activities are recognized as expenses in the period in which they are incurred.

Capitalized in-house services resulting from development activities or the development phase of an internal software development project are capitalized if the following conditions have been fulfilled:

- The completion of the intangible asset is technically possible, meaning that it will be available for use or sale.
- The intangible asset is intended for completion as well as for use or sale.
- The intangible asset can be used or sold.
- The intangible asset will likely provide future economic benefit.
- Suitable technical, financial and other resources are available to complete development and to use or sell the intangible asset.
- The expenses allocated to the development of the intangible asset can be reliably determined (e.g. by means of project-specific time sheets).

The sum of all expenses incurred from the day on which the intangible asset fulfills all of the aforementioned conditions for the first time corresponds to the amount at which a capitalized in-house service is capitalized for the first time. Should a capitalized in-house service asset not be able to be capitalized or should no intangible asset exist, development costs are recognized as expenses in the period in which they are incurred.

As with acquired intangible assets, capitalized in-house services are recognized at cost less accumulated amortization and impairments in subsequent periods.

Borrowing costs that are directly attributable to software development (qualifying asset) form part of the cost of that asset and should be capitalized until all work has largely been completed to prepare the asset for its intended use or sale.

Capitalized in-house services assets (generally software) are amortized on a straight-line basis over their estimated useful life of two to twelve years.

Goodwill

Goodwill is not amortized but instead tested annually for impairment on 31 December. Goodwill resulting from a business combination is capitalized at cost less accumulated impairments.

For the purposes of the impairment test, goodwill is allocated upon acquisition to the cash-generating units (or groups thereof) of CGM Group, that are expected to be able to make use of the benefit from the synergies generated by the business merger.

The impairment test of goodwill is based on cash-generating units (CGU). A CGU is the lowest level on which goodwill is monitored for the internal purposes of company management. As part of the impairment testing, the carrying amount of the cash-generating units on which the goodwill is based is compared with their recoverable value. If the carrying amount of the CGU exceeds its recoverable value, then impairment exists and the goodwill must be written down to its recoverable value. The recoverable value is the higher of two amounts: the value in use and its fair value minus disposal costs. To determine the recoverable value, the Company first calculates the value in use of the CGU using a discounted cash flow (DCF) method. A subsequent write-up of an impairment loss recognized in previous financial years on goodwill, to reflect the absence in the current financial year of the reasons for the impairment loss, is not permitted.

Even if the recoverable value exceeds the carrying amount of the CGU allocated to goodwill in future periods, impaired goodwill is not written up. Impairments of goodwill are recorded in the income statement under “Amortization of intangible assets.”

The accounting and measurement principles for goodwill resulting from the acquisition of an associated company is described under “Associated companies and joint ventures.”

Derecognition of intangible assets

An intangible asset is to be derecognized upon disposal or if no further benefit is expected from its use or sale. The gains or losses calculated from the difference between net sales revenue and the intangible asset’s carrying amount from the derecognition of an intangible asset is recognized in the income statement at the time of the asset’s derecognition. Derecognition is carried out under either “other operating income” or “other operating expenses.”

Property, plant and equipment

Land and buildings

Land and buildings serving as locations for the manufacture or supply of goods, the provision of services or for administrative functions are recognized at amortized cost less accumulated depreciation and accumulated impairments.

Land and buildings intended to serve as locations for the manufacture or supply of goods, the provision of services or for administrative functions and that are currently under construction are capitalized at cost less recognized impairments. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset and should be capitalized until all work has largely been completed to prepare the asset for its intended use or sale. The depreciation of these assets begins on the same basis as all other buildings, namely once they have reached operating condition. Land is not subject to depreciation.

Other assets and plant and office equipment

Other assets as well as plant and office equipment are recognized at cost less accumulated depreciation and recognized impairments.

Assets are depreciated on a straight-line basis. Acquisition costs and fair values are written down as follows over the estimated useful life of an asset, but no lower than the residual carrying amount. The estimated useful lives, residual amounts and depreciation methods are reviewed at the end of each reporting period. Any changes from reassessments are taken into consideration prospectively. For the depreciation of property, plant and equipment, the following values for useful life are used:

	Useful life in years
Buildings	Up to 60
Other assets and plant and office equipment	3 – 10

Depreciation as well as impairments and reversed impairments of property, plant and equipment are recorded in the income statement under “Depreciation of property, plants and equipment.”

Impairments of property, plant and equipment and intangible assets (excluding goodwill)

As of each balance sheet date, the Group reviews the carrying amounts of its property, plant and equipment and intangible (depreciable) assets to determine whether there is a need to write them down. If there is evidence of such a need, the realizable value of the asset is estimated in order to determine the amount of the potential impairment charge required. If the realizable value for the individual asset cannot be estimated, the realizable value is estimated for the CGU to which the asset belongs. This also applies in the event of evidence for a reduction in value.

The realizable value is the higher value between the fair value less costs to sell and the value in use. When determining the value in use, the estimated future cash flows are discounted to present value.

If the estimated realizable value of an asset (or a CGU) is less than the carrying amount, the carrying amount of the asset (or of the CGU) has to be reduced to the realizable value. The impairment is recognized immediately and posted to the income statement.

If impairment is subsequently reversed, the carrying amount of the asset (or CGU) is increased to the newly estimated realizable value.

The increase in the carrying amount is limited to the amount that would have been determined if no impairment had been recognized for the asset (the CGU) in previous years. A reversal of the write down is recognized immediately and posted to the income statement.

An impairment test is carried out on intangible assets with indefinite useful lives or intangible assets not yet available for use at least once a year (31 December) and if there is evidence of a reduction in value.

Borrowing costs
Borrowing costs directly relating to the acquisition, construction or production of qualifying assets are added to production costs until the point at which the assets are essentially available for their intended use or sale. Qualifying assets include assets that require a considerable period of time before they are reach their intended condition ready for use or sale.

Should earnings be generated from the intermediate investment of borrowed capital taken out especially for the production of qualifying assets, these earnings are deducted from capitalizable borrowing costs. Other borrowing costs are recognized in the income statement in the period in which they are incurred.

Investments in associated companies
Pursuant to IAS 28, associated companies are stated in accordance with the "equity method." At the time of acquisition they are stated at purchase costs. Investments in associated companies also include goodwill identified at the time of acquisition less impairment. Dividend payments of associated companies will be accounted in the year of payment as a reduction of the carrying amount without any effects in the income statement. The Company's share of earnings of associated companies in the period is posted to income.

When the Group's share of losses in an associated company equals or exceeds its interest in the associated company, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associated company.

Impairment tests will be carried out if there is a so-called "triggering event" (particularly at high changes in net results).

Financial assets
Classification
CGM classifies its financial assets in the following categories: at fair value in the income statement, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets recognized at fair value in the income statement
Financial assets recognized at fair value in the income statement are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise they are classified as non-current. Fluctuations in the value of financial assets at fair value are recognized in financial income or financial expenses respectively.

(b) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not listed in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. CGM's loans and receivables comprise trade receivables, other receivables and cash and cash equivalents.

(c) Financial assets available for sale
Financial assets available for sale are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Recognition and measurement
Regular purchases and sales of financial assets are recognized on the trading day – the day on which the Group commits to purchase or dispose the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value in the income statement. Financial assets carried at fair value in the income statement are initially recognized at fair value and transaction costs are expensed in the income statement. Financial assets are derecognized when the rights to receive cash flow from the investments have expired or have been transferred and CGM has transferred all substantial risks and rewards of ownership. Financial assets recognized at fair value in the income statement are subsequently carried at fair value. Loans and receivables are carried at amortized cost using the effective interest method. Financial assets available for sale are subsequently carried at fair value unless the fair value cannot be determined, in which case the financial assets available for sale is carried at cost.

Dividends on financial assets available for sale are recognized in the income statement as part of financial income when the Group's right to receive payments is established.

Impairment of financial assets
(a) Assets carried at amortized cost
CGM assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine if there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- CGM, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganization;
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
- Adverse changes in the payment status of borrowers in the portfolio; or national or local economic conditions that correlate with defaults on the assets in the portfolio.

CGM first assesses whether objective evidence of impairment exists.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognized in the income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is to be reversed in the income statement.

(b) Financial assets available for sale
CGM carries its financial assets available for sale at cost. To assess whether there is objective evidence that a financial asset available for sale or a group of financial assets is impaired, refer to the criteria and methods mentioned in (a) above. In addition to these criteria and methods, objective evidence of impairment for an investment in an equity instrument includes information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered. CGM assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. Such impairment losses are not reversed.

(c) Derecognition of financial assets
CGM Group only derecognizes a financial asset if the contractual rights concerning future cash flows from the financial asset expire or if CGM Group transfers the financial asset together with all risks and rewards associated with ownership of the asset to a third party.

If CGM Group neither transfers all risks and rewards associated with ownership nor retains them, but maintains control of the transferred asset, the Group recognizes its remaining share in the asset and a corresponding liability equaling the anticipated contributions to be paid.

In the case that CGM Group essentially retains all risks and rewards associated with ownership of a transferred financial asset, CGM Group will continue to recognize the financial asset as well as a secured loan for the received consideration.

In the case of the complete derecognition of a financial asset, the difference between the carrying amount and the total of fees already received or to be received, plus all accumulated profits or losses recognized in other income and in equity, is carried in the income statement.

In the case of the partial derecognition of a financial asset, CGM Group splits the previously carried carrying amount of the financial asset into the part that continues to be recognized by CGM Group in accordance with its continuing involvement and the part that is no longer recognized by CGM Group on the basis of the relative fair values of these two parts at the time of transfer. The difference between the carrying amount of the part that is no longer recognized and total fees from the part that is no longer recognized plus all accumulated profits and losses attributable to this part that were recognized in other income is carried in the income statement. All accumulated profits and losses recognized in other income are distributed between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of each part.

(d) Offsetting financial instruments
Financial assets and liabilities are offset and the net amount is reported in the consolidated financial statements when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

Inventories
Inventories are valued at the lower of cost and net realizable value. Manufacturing costs include material costs and production costs, plus any production overheads. The values are calculated either according to the weighted-average cost method or according to the first in, first out (FIFO) method. The net realizable value represents the estimated selling price less all estimated costs to completion, as well as costs for marketing, sales and distribution.

Trade receivables and other current receivables
CGM Group records receivables at amortized cost less impairments. Impairments are carried out in the form of specific loan loss provisions in line with default risk. Actual defaults on receivables result in the derecognition of the respective receivable. Receivables of lesser importance as well as receivables with a similar default risk are collated in groups and reviewed in terms of their impairment requirements by applying empirical values. At CGM Group, separate impairment accounts are often used to record impairments on trade receivables. In effect, the fundamental default risk (assessment in relation to probability of default) is the decisive factor in the decision as to whether the receivable is recognized in the income statement through derecognition or by means of an impairment account.

Assets held for sale and discontinued operations
CGM Group classifies a non-current asset as held for sale if the majority of the asset's inherent carrying amount is generated through a sale transaction and not through continued usage within CGM Group. CGM Group classifies assets and liabilities as disposal groups if these assets and liabilities are to be sold or otherwise ceded as a group in a single transaction and the criteria of IFRS 5 "Assets Held for Sale and Discontinued Operations" are fulfilled.

Non-current assets (or disposal groups) are classified as assets held for sale if the majority of the associated carrying amount is realized through a sale transaction and not through continued usage. This condition is only considered fulfilled if the non-current asset (or disposal group) is immediately available for sale in its current state and if it is highly likely to be sold. The management must be committed to a sale and it must be assumed that the sale process will be concluded within a period of one year after the classification of the asset as held for sale.

Non-current assets or disposal groups classified as held for sale are recognized at the lower of original carrying amount or fair value minus disposal costs.

Should CGM Group be committed to a sale that leads to the disposal of an investment or a share in an investment in an associated company or joint venture, the investment or share in an investment is to be classified as held for sale provided that the aforementioned conditions for assets held for sale have been fulfilled. From this point on, the equity method is no longer used in relation to the share held for sale. Retained shares in an investment in an associated company or joint venture that are not classified as held for sale are to be carried in accordance with the equity method as before. CGM Group discontinues the use of the equity method at the time of the disposal of the asset classified as held for sale if the disposal causes the Group to lose a controlling interest in the associated company or joint venture.

Following disposal, CGM Group carries all retained shares in the respective associated company or joint venture in accordance with the requirements of IAS 39. Should the retained shares mean that an associated company or joint venture continues to exist, this represents an exception to this rule and necessitates the continued use of the equity method.

Provisions for post-employment benefits
For defined benefit plans, the costs for services rendered are determined on the basis of the projected unit credit method, with an actuarial assessment being carried out at the end of each reporting period. In this method, biometric bases for calculation and the respective, current long-term capital market interest rate, as well as current assumptions regarding future salary and pension increases, are taken into account. Revaluations consisting of actuarial profits and losses, changes resulting from the application of asset ceilings and income from plan assets (not including interest on net debt) are recognized immediately in other income and are directly included in the balance sheet. The revaluations recognized in other income are part of retained earnings and are no longer reclassified in the income statement. Past service costs are recognized as expenses as soon as the changes to the pension plan come to fruition and provided that the changes to the pension plan depend on the employees remaining in service for a specified period of time (vesting period).

Net interest is calculated by multiplying the pension interest rate by net debt (pension obligation less plan assets) or, if the plan assets are greater than the pension obligations, by the net asset value at the beginning of the financial year. Defined benefit costs comprise the following components:

– Service cost (including current service cost, past service cost and potential profit or loss from changes or reductions to pension plans)
– Net interest income or expenses from net debt or the net asset value
– Revaluation of net debt or the net asset value

CGM Group recognizes the first two components in the personnel expenses in the income statement. Profits and losses from reductions to pension plans are carried as past service costs.

The provision for defined retirement benefits plans in the consolidated balance sheet corresponds to the present value of the pension commitment on the balance sheet date less the fair value of the plan assets. Any resulting surplus is limited to the present value of future economic benefit, and is available in the form of reimbursements (of contributions) from pension plans or a reduction in future contributions to pension plans.

Contributions to defined contribution pension plans are recognized as expenses in personnel expenses if the employees have performed the services that entitle them to the contributions. Payments for state pension plans are treated as defined contribution plans. CGM Group has no further payment obligations other than the payment of contributions.

Other provisions

Provisions are established for legal and actual obligations that existed as at the balance sheet date or that arose for economic reasons if it is likely that the fulfilment of the obligation will lead to an outflow of funds or an outflow of other resources of the Company, and if there is uncertainty, resulting from estimating inaccuracies, with regard to due dates and amounts.

Measurement is on the basis of the amount of the obligation with the highest degree of probability or, in the case of equal probability, on the expected amount of the obligation. Risks and uncertainties linked to the obligation are to be taken into consideration. Should a provision be measured on the basis of the estimated cash flows from the fulfilment of the obligation, these cash flows are to be discounted if there is a material interest effect.

If it can be assumed that the economic benefit necessary for the fulfilment of the provision, or parts thereof, are to be reimbursed by a third party, CGM Group recognizes this economic benefit as an asset on the condition that it is almost certain that the reimbursement will take place and that the reimbursement amount can be estimated accurately.

a) Onerous contracts

Current obligations in relation to onerous contracts are recognized as provisions. The existence of an onerous contract is assumed if CGM Group constitutes a contractual party in a contract in which it is anticipated that unavoidable costs necessary to fulfill the contract exceed the maximum potential economic benefit.

b) Restructuring

A provision for restructuring expenses is recognized if the Group has prepared a detailed, official restructuring plan, which gives those affected the justified impression that the commencement of the plan's implementation or the announcement of its key elements means that the restructuring will be carried out. Only the direct expenses linked to the restructuring are applied to the measurement of the restructuring provision. Therefore, only the expenses incurred as a result of the restructuring are recognized and not the expenses relating to the ongoing business operations of the Group.

c) Guarantees

Provisions for anticipated expenses from guarantee obligations pursuant to national laws governing sales contracts are recognized at the time of the sale of the product concerned. The amount is calculated on the basis of an estimate of expenditure necessary for the Group to fulfill its obligation. Where a large number of similar obligations exists, such as for guarantees, the probability of a charge over assets is determined on the basis of this group of obligations. Provisions are also carried under liabilities if the probability of a burden on assets is low in relation to a single obligation contained in this group.

d) Severance payments

A liability for payments resulting from the termination of an employment relationship is recognized when CGM Group can no longer revoke the offer of such benefits. Should severance payments arise in relation to restructuring, the liability for payments resulting from the termination of an employment relationship is recognized at an earlier time (before an offer is submitted).

Financial liabilities
CGM Group recognizes financial liabilities when a Group company becomes a contractual party in a financial instrument. Depending on the circumstances, these kinds of liabilities are either classified as financial liabilities recognized at fair value in the income statement or as other financial liabilities.

CGM Group measures financial liabilities at fair value upon addition. Transaction costs directly attributable to the issue of financial liabilities not recognized in the income statement but at fair value are carried directly in the income statement.

a) Financial liabilities measured at fair value in the income statement
Financial liabilities are classified as financial liabilities measured at fair value in the income statement when they are either held for the purposes of trading or are voluntarily measured at fair value in the income statement.

A financial liability is classified as held for trading purposes if:

– It was acquired with the primary intention of being bought back in the short term, or
– It is part, at the time of initial recognition, of a portfolio of clearly defined financial instruments managed by CGM Group, for which there has been evidence of short-term profit taking in the recent past, or
– It is a derivative, which is not designed as a hedging instrument, is effective and does not constitute a financial guarantee.

Other financial liabilities not held for the purposes of trading can be designated at fair value in the income statement at the time of initial recognition if:

– Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise, or
– The financial liability belongs to a group of financial assets and/or financial liabilities that is managed and measured in accordance with a documented Group risk or investment management strategy on the basis of fair values and on which the internal information flow is based, or
– It is part of a contractual agreement that contains one or more embedded derivatives and IAS 39 “Financial Instruments: Recognition and Measurement” permits the entire contract (asset or liability) to be measured at fair value.

Financial liabilities designated as measured at fair value are measured at fair value. All gains or losses resulting from the measurement is recognized in the income statement. The net profit or loss recognized in the income statement includes interest paid on financial liabilities and is recorded under “Financial income and liabilities”.

b) Other financial liabilities
Other financial liabilities, such as loans, trade liabilities and other liabilities, are measured at amortized cost using the effective interest method. The effective interest method is used for the calculation of the amortized cost of a financial liability and the allocation of the interest expense to the corresponding period. The effective interest rate is the interest rate at which estimated future cash outflow – including incurred costs and paid or received fees, which are integral parts of the effective interest rate, as well as transaction costs and other premiums or discounts – is discounted on the net carrying amount from initial recognition over the expected term of the financial instrument or for a shorter period.

c) Derecognition of financial liabilities
CGM Group derecognizes a financial liability as soon as the respective obligation is settled or reversed or expires. The difference between the carrying amount of the derecognized financial liability and the received consideration is recognized in the income statement.

Shareholders’ equity
If equity instruments exist, they are recognized at issue earnings less directly attributable issue costs. Issue costs include costs that would not have otherwise been incurred had the equity instrument not been issued.

Shares bought back by CGM Group (treasury shares) are to be directly deducted from shareholders’ equity. The purchase, sale, issue or cancellation of treasury shares is not recognized in the income statement. All paid or received payments related to treasury shares are recognized directly in equity.

Accumulated other income
Changes in equity with no effect on net income are recorded in accumulated other income provided these changes are not based on transactions with shareholders recognized in equity. Changes recorded in other income include differences from currency conversion, unrealized gains and losses from the measurement at fair value of assets held for sale and from derivative financial instruments.
Actuarial gains and losses are recorded in equity under provisions in the period in which they are recognized.

Share-based bonus plans
In the 2008 financial year, share-based remuneration, as defined under IFRS 2, was agreed to with Management Board member Christian B. Teig, which comprises 375,000 options on CompuGroup shares. It was agreed to amend the share option agreement when his employment contract was extended until 30 September 2016. The agreed amendment from 14 December 2011 stipulates that Christian B. Teig may exercise the share options at any time within a 30-day period of notice until his extended employment contract expires.

The fair value as of the option grant date amounted to EUR 1.25 per option and was accumulated until the expiration of his initial contract on 30 September 2012. As the fair value has not changed following the contract amendment, there were no expenses in the year under review in addition to the recognized accumulation for the period 2008 to 2012.

Calculation of the fair value was conducted in 2008 based on the Black-Scholes model and the following criteria:

Weighted average share price	EUR 7.45
Exercise price per share	EUR 5.50
Expected volatility	35%
Duration of the option	4 years
Risk-free interest rate	4.60%

The potential gain or loss of a share can be estimated based on the volatility, regardless of changes in the market price. This assumes that the values observed in the past are also valid for the future. The expected volatility indicates the share price fluctuations for the relevant duration of the options for five comparable companies.

No other restrictions varying from market conditions have been included in the above table.

Derivative financial instruments (in hedge accounting)
CGM Group hedges derivative financial instruments in order to control its interest and exchange rate risks. This includes the conclusion of forward exchange transactions and interest swaps. Derivatives are carried initially at fair value at the time of contract conclusion and subsequently measured at fair value at the end of each reporting period. The gains or losses resulting from the measurement is recognized immediately in the income statement, provided that the derivative is not a hedging instrument as part of designated and effective hedge accounting.

Derivatives included in hedge accounting are generally designated as either:

- Hedges of the fair value of recognized assets or liabilities or a firm commitment (fair value hedge);
- Hedges of a particular risk associated with a recognized asset or liability or a highly probable forecast transaction (cash flow hedge); or
- Hedges of a net investment in a foreign operation (net investment hedge).

At the start of hedge accounting, the relationship between the underlying transaction and the hedge is documented, including risk management targets and the corporate strategy behind the conclusion of hedge accounting. In addition, the effectiveness of the hedging derivative designated as part of hedge accounting is documented with regard to compensation for changes to the fair value or to payment flows in the underlying transaction, both when the hedge accounting is commenced and at regular intervals. The recognition of the measurement results in the income statement depends on the type of hedge accounting. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than one year and as a current asset or liability when the remaining maturity of the hedged item is less than one year.

Trading derivatives are classified as non-current assets or liabilities in accordance with IAS 1.68 and IAS 1.71 if they are due after more than one year; otherwise they are classified as current.

If derivatives embedded in non-derivative basis contracts are concluded, CGM Group treats these as freestanding derivatives on the condition that:

- Derivative requirements are fulfilled,
- Their financial features and risks are not closely linked with the basis contract, and
- The contract as a whole is not measured at fair value in the income statement.

As of 31 December 2013, derivatives only existed as cash flow hedges in effective hedge accounting. Moreover, forward exchange contracts have been concluded in the reporting period.

Cash flow hedges
The effective portion of changes in the fair value of derivatives that can be used for cash flow hedges and are designated as such is recognized in other operating income under "Cash flow hedges." Any gains or losses attributable to the ineffective portion is immediately recognized in the financial result in the income statement.

Amounts recognized in other income are reclassified in the income statement in the period in which the underlying transaction is recognized in the income statement. The amounts are recognized under the same income statement item as the underlying transaction. However, if a hedged anticipated transaction leads to the recognition of a non-financial asset or a non-financial debt, the profits and losses previously recorded in other income and in shareholders' equity are derecognized from shareholders' equity and taken into consideration in the initial measurement of the acquisition costs of the asset or debt.

The recognition of hedge accounting on the balance sheet ends when CGM Group dissolves, sells, terminates or exercises the hedging instrument or when the derivative is no longer suitable for hedging purposes. The profits and losses recognized at this time in other income and in shareholders' equity remain in shareholders' equity and are only recognized in the income statement when the anticipated transaction is also carried in the income statement. If the anticipated transaction is no longer expected to occur, all income recognized in shareholders' equity is immediately reclassified in the income statement.

See section "Fair value measurement" for details on the fair values of derivatives used for hedging purposes.

Cash and bank deposits
Cash and bank deposits are recognized at cost. They comprise cash reserves, bank deposits available on demand and other current, highly liquid financial assets that have terms of a maximum of three months at the time of acquisition.

Liabilities from government grants
Government grants are recognized according to the gross method, i.e. their gross amounts are recognized on the liabilities side. They exclusively comprise investment grants that are recognized in other income in proportion to the write-downs of the subsidized assets.

Leases
Leases are essentially classified as finance leases if all risks and rewards incidental to ownership are transferred to the lessee through the leasing agreement. Leases in which a substantial proportion of all risks and rewards incidental to ownership of an asset remain with the lessor are classified as operating leases.

a) CGM Group as lessee
The Group leases certain items of property, plant and equipment (leased items). Assets in connection with finance leases are capitalized at the beginning of the leasing term at the lower of the fair value of the leased item and the present value of minimum lease payments. Leasing liabilities of the same amount are recognized under non-current liabilities. Each leasing instalment is divided into its respective interest and principal components in such a way that the leasing liabilities remain constant. The net lease liability is recorded under non-current liabilities. The interest component of the leasing instalment is charged to the income statement so as to produce a constant rate of interest over the term of the lease agreement. Items of property, plant and equipment governed by finance leases are depreciated over the shorter of their economic useful life or the term of the lease.

Payments made in relation to an operating lease are recognized as expenses on a straight-line basis over the duration of the lease. The only exception to this is when another accounting method is more suitable to the pattern of economic benefits for CGM Group. Conditional payments within the scope of an operating lease are recognized as expenses in the period in which they occur.

b) CGM as lessor
If assets are leased under a finance lease, the present value of the minimum lease payments is carried as a lease receivable. Any difference between the gross receivable (minimum lease payment before discounts) and the present value of the receivable is recognized as unrealized financial income. The receipt of differences in amounts is recognized in sales revenue. Leasing income is recognized over the lease term using the annuity method, reflecting a constant annual return in terms of the lease receivable.

Assets leased by customers within the scope of leasing relationships are recognized in non-current assets.

Income from leases is recognized on a straight-line basis over the term of the lease.

Income taxes and deferred taxes
Income tax expenses for the reporting period recognized in the CGM Group income statement consist of the current tax charge and deferred taxes charged in the income statement. CGM Group calculates the current tax charge on the basis of Group companies' taxable income under valid national income tax rates.

In accordance with the requirements of IAS 12, CGM Group recognizes all temporary differences between the tax balance sheet and the consolidated financial statements as deferred taxes. Deferred tax assets on loss carry forwards are recognized as assets in the amount for which it can be assumed that usage will take place within a foreseeable period of time permitted under tax law. Deferred tax assets and liabilities are also formed on the basis of temporary differences resulting from company acquisitions. One exception to this is temporary differences from goodwill for which no deferred taxes are recognized. If goodwill is taken into account for tax purposes, the recognition of deferred taxes that are not realized before the disposal is performed in the subsequent evaluation.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associated companies unless the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The respective valid national income tax rates for Group companies are used in the calculation of deferred taxes. Income tax rates that are already fixed but will only be applied in future periods are also taken into consideration in the calculation of deferred taxes.

Deferred tax entries generally impact the income statement (with the exception of first-time consolidation) unless they relate to items that are directly recognized in equity or other income. In this case, the tax is also recognized in equity or other income.

Income recognition

Income from the sale of goods and rights is recorded once the risks and rewards of ownership of the goods and rights have been transferred to the buyer, the transfer of the economic use of the asset is likely and the amount can be reliably established. Income from services purchased is recorded as soon as the service is performed. Income is not recognized if there are any material risks regarding the receipt of the consideration or the potential return of goods. CGM Group recognizes its revenue less any reductions such as bonuses, rebates or discounts.

Income and expenses resulting from manufacturing orders (primarily from the implementation of software solutions in clinics, larger laboratories, social services and rehabilitation centers) are carried according to the percentage of completion method. According to this, income is recognized according to the degree of completion. The degree of completion is calculated on the basis of the relationship between the order costs incurred on the respective date and total order costs estimated on the reporting date. Manufacturing orders carried according to the percentage of completion method are recognized on the reporting date at incurred order cost plus the percentage of profit resulting from the degree of completion. The income generated from manufacturing orders is recognized less received prepayments and invoiced services already settled by the customer in the balance sheet under trade receivables. Changes to ordered services as well as subsequent services are only taken into account as part of an existing manufacturing order if acceptance on the part of the customer is considered likely and a reliable assessment can be made regarding the amount. Should income from a manufacturing order not be able to be estimated with a sufficient level of certainty, probable revenue is recognized at least up to the amount of incurred costs. Order costs are recognized as expenses for the period in which they are incurred. If it is foreseeable that anticipated order costs will exceed order income, the anticipated loss is recognized immediately as expenses.

Income from contracts that contain a number of different elements (multi-component contracts) is recognized if the respective contractual component has been supplied or provided and is based on the objective, relative fair values of each individual contractual component.

The main types of sales and their recognition are presented below:

Sales revenue type	Description and income recognition
Software licenses	These include revenues from the sale of software licenses, which are usually subject to a single payment. The license entitles the customer to permanent use of the software. The license fee is contractually fixed and does not trigger any future license payments or usage-dependent invoices. Only software expansion modules trigger further license payments. Income from sales of software licenses is recognized on dispatch.
Software maintenance and other recurring revenue	This includes sales revenues from contracts that give customers access to new releases of software products after they have already been supplied. These updates serve to rectify bugs, improve performance and other features and also adapt the software to changes in the usage environment. The contractual relationship for software maintenance also includes hotline support (either via telephone or online). A software maintenance contract usually runs for twelve months and is automatically extended by a further twelve months. Revenue from recurring, transaction-specific services and other long-term services include application service provider services, hosting fees, Internet service provider fees, eServices fees, EDI and compensation payments, receivables management payments, outsourcing agreements, hardware maintenance and repair agreements etc. Customer relationships are usually long-term. Income from software maintenance and other recurring income as well as from support services is booked over the period when the services are rendered.
Services	Revenues from services remunerated on an hourly basis or at contractually agreed fixed prices fall under the “Services” revenue type. Activities performed on behalf of customers include project management, analysis, training, system configuration, customer-specific programming as well as hardware maintenance and repair work. Income from services to be remunerated on an hourly basis is recognized upon completion of the service. Income from service components as part of manufacturing and other service contracts is recognized according to the degree of completion of the project (percentage of completion method).

Sales revenue type	Description and income recognition
Hardware	Revenues from the sale of hardware and infrastructure components, such as PCs, servers, monitors, printers, switches, racks, network components, etc. This income is recognized immediately after the hardware components are dispatched. This does not apply to contractually fixed hardware components within the scope of manufacturing orders, which are recognized in the project as a whole according to the degree of completion (percentage of completion method).
Advertising, eDetailing and data	This includes sales from paid advertising content and communications services relating to software or other media. It also includes sales from software services and associated services supporting the sales process of pharmaceutical companies. Revenues from the collation, organization and provision of data (i.e. blacklists) for service providers in the healthcare sector (e.g. health insurances, pharma companies) are attributed to this revenue type. Income from advertising, eDetailing and data that take the form of a continuing obligation is booked over the period when the services are rendered. Income from services to be remunerated on an hourly basis is recognized upon completion of the service.
Software assisted medicine	This includes sales revenues from healthcare management and associated services. In addition, sales revenues that originate from the use of special software modules (i.e. software supporting medical decision-making) in doctor's offices, hospitals, networks of doctor's offices and hospitals, health insurance providers, patient networks, etc. are allocated to this sales revenue type. Income from health management services to be remunerated on an hourly basis is recognized upon completion of the service. Income from sales of SAM software licenses is recognized immediately after they are dispatched. Income from software maintenance and other recurring income in SAM is booked over the period when the services are rendered.
Other revenue	This comprises all sales revenues that cannot be attributed to any of the aforementioned categories. Income recognition is carried out on a case-by-case basis in compliance with the relevant IFRS requirements.

Interest income is posted to the correct accounting period based on the outstanding loan balance and the applicable interest rate. The applicable interest rate is the interest rate calculated on the estimated future cash to be received over the term of the financial asset and the net carrying amount of the financial asset.

Dividend income from investments is recorded when the shareholder (the Company) is entitled to payment.

Deferred income
Accruals and deferred income are recognized in compliance with the basic revenue recognition criteria as software license sales, software maintenance and other recurring revenues, revenues from advertising, e-detailing and data, and proceeds from Software Assisted Medicine (SAM) in the profit and loss account. This is typically the case when the related services are rendered.

Earnings per share
Undiluted earnings per share equate to the sum of the net result attributable to the shareholders of CompuGroup Medical AG divided by the weighted average of the number of issued shares. If new shares are issued or bought back during the reporting period, this calculation is carried out pro rata based on the shares in circulation during the given period. There were no dilution effects in the reporting periods presented in the financial statements.

Segment reporting
The segment reporting of CGM Group is aligned with the internal organizational and reporting structure in accordance with the so-called "management approach." The data and financial information used to determined internal management parameters is derived from the consolidated financial statements of CGM Group prepared in accordance with IFRS accounting principles.

Use of accounting estimates and management judgments
The preparation of consolidated financial statements under IFRS requires that assumptions are made and estimates are applied. These have an effect on the amount and reporting of recorded assets and liabilities, income and expenses, and contingent liabilities of the reporting period. The main estimates and judgments in preparing the consolidated financial statements are discussed below:

a) Purchase price allocations and company acquisitions
Assumptions and estimates are particularly made as part of the acquisition price allocations for the purchase of companies. The determination of the value of capitalized software is based upon the relief from royalty method, customer relationships as per the multi-period excess earnings method, and trademark rights using the relief from royalty method. Estimates are also used to support the calculation of the depreciation of identified undisclosed reserves.

b) Impairment of goodwill

An assessment of the recoverable amount for goodwill is carried out both annually and as soon as there is any evidence for an impairment of goodwill; it is based upon budget calculations for the CGU over the next five years using a discount rate reflecting any specific Company risk. CGM Group determines the recoverable amount from either the fair value less disposal costs or the value in use, whichever is greater. However, the management of CGM Group believes that the assumptions used in the calculation of the recoverable value are suitable, unforeseeable changes in these assumptions would lead to an impairment charge which could have negative implications on the net assets, financial position and results of operations of CGM Group.

c) Recoverable amount of assets

CGM Group assesses whether there is evidence for a write-down on property, plant, and equipment or an intangible asset (also including intangible assets from capitalized in-house services software) at the end of every reporting period. The recoverable amount of the corresponding asset is determined using the best possible estimate of the input parameters. Similarly to the recoverable goodwill test, the recoverable amount equates to the fair value less disposal costs or the value of use, whichever is greater. The recoverable amount is determined on the basis of budget calculations for the cash flows of the relevant asset over the next five years using a discount rate reflecting any specific Company risk. However, the management of CGM Group believes that the assumptions used in the calculation of the recoverable amount are suitable with regard to the economic climate and the development of the sector, changes in the underlying parameters could lead to an adjustment of recoverable value analysis for the asset concerned. This could lead to further impairments but also reversed impairments in future periods should the underlying assumptions and estimates set by the management prove to be unsuitable.

d) Useful life of property, plant and equipment

As explained in this section under “Property, plant and equipment,” CGM Group reviews the suitability of the estimated useful lives of property, plant and equipment at the end of each reporting period. This results in reassessments in relation to the remaining economic useful life. Changes resulting in a reassessment of the economic useful life can ensue due to changing market conditions (e.g. fall in prices) or general technological advances.

e) Assessment of the probability of other provisions

The recognition and measurement of other provisions on the basis of the best possible assessment of the probability of future outflow of resources as well as by means of empirical values in consideration of known circumstances as of the reporting date can cause the actual outflow of resources to deviate from the other provisions formed to this effect.

f) Provisions for post-employment benefits

The present value of the pension obligation is dependent on a number of factors which, in turn, are based on actuarial assumptions. The assumptions used to determine these net expenses (and income) include the pension interest rate. Any change in this assumption will have an effect on the present value of the obligation.

g) Income recognition from manufacturing orders

As part of their business operations, some of the CGM Group consolidated subsidiaries allocated to the HPS II segment conclude manufacturing orders that are carried using the percentage of completion method. Income is therefore recognized according to the degree of project completion. The application of the percentage of completion method requires a precise assessment of project progress in relation to the project as a whole. Assessments must be made on anticipated costs for the rest of the project, total order income, inherent order risks and all other relevant factors. CGM Group regularly reviews the suitability of assessments made for the purposes of recognizing income from manufacturing orders and, if necessary, makes the necessary adjustments on the basis of any new findings.

h) Income taxes

Management also has to make estimations and assumptions when calculating current and deferred taxes. Deferred tax assets are assessed at the value at which the recoverability of future tax benefits is judged probable. The actual value of deferred tax assets is dependent upon the actual future taxable income situation. This can vary from the estimate made at the time when the deferred tax asset was first capitalized. Various factors are used to assess the probability of the future utilization, including past operating results, operational planning, loss carry forward periods and tax planning strategies.

i) Fair value of derivative and other financial instruments

The measurement of interest rate derivatives includes expectations about future interest rates as well as the assumptions upon which these expectations are based.

Further explanations regarding the assumptions and estimates made which support these consolidated financial statements are included in the disclosures on the individual line items of the year-end accounting records.

Discretionary decisions have to be taken when applying accounting and measurement methods. These decisions are constantly reassessed and are based on historical experiences and expectations in respect of future events that can be considered reasonable under the given circumstances. This applies especially with regard to the following issues:

- The determination of the fair values of assets and liabilities acquired as part of a business combination, as well as of the useful lives of the assets is based on management's judgment.
- With regard to assets held for sale, it must be determined if they can be sold in their current condition and if the sale of such is highly probable.
- Financial assets are categorized as either "financial assets recognized at fair value in the income statement," "loans and receivables," or as "financial assets available for sale."

All assumptions and estimates are based upon the circumstances that exist as of the balance sheet date. Actual future circumstances can, of course, deviate from these estimates and assumptions. If such a deviation occurs, the assumptions are adjusted and, if necessary, the carrying amount of the impacted asset or liability is changed accordingly.

All amounts in the consolidated financial statements are stated in thousands of Euro (EUR '000) unless otherwise stated. Smaller deviations in absolute figures and in the calculation of percentages may occur due to rounding.

E. Explanation of items on the statement of financial position and income statement

1. Intangible assets

a) Development of intangible assets

Overview of the development of tangible assets as of 31 December 2013

	Purchase or manufacturing costs						Book value	
EUR '000	01.01.2013	Additions from acquisitions	Other Additions	Disposals and transfers	Exchange rate differences	31.12.2013	31.12.2013	01.01.2013
Goodwill/business value	227,273	9,660	0	0	-4,553	232,380	224,133	219,503
Software	211,245	3,286	2,826	-626	-5,143	211,588	50,885	60,104
Customer contracts	160,722	11,412	0	-4	-5,305	166,825	126,573	127,248
Brands	25,075	1,087	0	-2	-336	25,824	14,878	17,023
Order backlog	8,862	0	0	0	-18	8,844	1,363	4,210
Purchased software licenses	1,545	0	5,557	-369	-338	6,395	6,139	1,289
Capitalized in-house services	45,307	4,466	10,205	-69	-66	59,843	37,340	26,434
Total	**680,029**	**29,911**	**18,588**	**-1,070**	**-15,759**	**711,699**	**461,311**	**455,812**

Overview of the development of tangible assets as of 31 December 2012

	Purchase or manufacturing costs						Book value	
EUR '000	01.01.2012	Additions from acquisitions	Other Additions	Disposals and transfers	Exchange rate differences	31.12.2012	31.12.2012	01.01.2012
Goodwill/business value	220,678	5,006	0	0	1,589	227,273	219,503	213,869
Software	212,768	3,715	1,104	-7,647	1,305	211,245	60,104	74,353
Customer contracts	146,494	11,725	0	1,427	1,076	160,722	127,249	120,926
Brands	23,701	879	0	443	52	25,075	17,023	18,991
Order backlog	7,709	1,011	0	134	8	8,862	4,210	6,424
Purchased software licenses	1,158	0	728	-362	21	1,545	1,289	1,158
Capitalized in-house services	38,001	0	7,103	203	0	45,307	26,434	23,055
Total	**650,509**	**22,336**	**8,935**	**-5,802**	**4,051**	**680,029**	**455,812**	**458,776**

Amortization of intangible assets is recognized in the income statement.

The development of intangible assets is detailed in the separate appendix to the Notes "Changes in intangible assets and tangible assets in 2013".

b) Goodwill

The principle components of goodwill are allocated to cash-generating units (CGUs) as follows:

CGU	01.01.2013 EUR '000	Additions EUR '000	Disposals EUR '000	Impairment EUR '000	Reclassifications EUR '000	Exchange rate differences EUR '000	31.12.2013 EUR '000
Lauer-Fischer	30,813	0	0	0	0	0	30,813
CGM Sweden	30,296	0	0	0	1,390	-889	30,797
CGM Deutschland AG	30,621	0	0	0	0	0	30,621
CGM US	21,674	0	0	0	0	-905	20,769
Systema HIS	14,304	0	0	0	0	0	14,304
CGM Italy	12,206	0	0	0	616	0	12,822
CGM Norway	14,205	0	0	0	0	-1,675	12,530
Ifap	9,290	0	0	0	0	0	9,290
CGM Denmark	8,382	0	0	0	0	-21	8,361
CGM Systema Deutschland	7,307	346	0	0	0	0	7,653
CGM Österreich GmbH	5,975	0	0	0	0	0	5,975
CGM Lab	4,755	0	0	0	0	-133	4,622
CGM Solution	4,479	0	0	0	0	0	4,479
Microbais	4,001	0	0	0	0	0	4,001
Innomed	3,791	0	0	0	0	0	3,791
Quality in Pharmacia	0	3,705	0	0	0	0	3,705
CGM Netherlands	3,144	0	0	0	0	0	3,144
CGM Dentalsysteme	2,905	0	0	0	0	0	2,905
Effepieffe	616	0	0	0	-616	0	0
CGM Belgium	2,342	0	0	0	0	0	2,342
HCS	2,258	0	0	0	0	0	2,258
Studiopharma	0	2,168	0	0	0	0	2,168
ÄND Ärztenachrichtendiest	0	1,356	0	-209	0	0	1,147
CGM Ceska republika	1,487	0	0	0	0	-126	1,361
Tekne	0	1,224	0	0	0	0	1,224
Lorensbergs	1,390	0	0	0	-1,390	0	0
CGM Malaysia	1,022	0	0	-893	0	-129	0
CGM Schweiz	974	0	0	0	0	-28	946
Meditec	0	686	0	0	0	0	686
Intermedix France	543	0	0	0	0	0	543
CGM Slovensko	337	0	0	0	0	0	337
CGM France	284	0	0	0	0	0	284
CGM LAB France	0	175	0	0	0	0	175
CGM Turkey	102	0	0	0	0	-21	81
Total	**219,503**	**9,660**	**0**	**-1,102**	**0**	**-3,928**	**224,133**

The transfers arise primarily as a result of changes in the organization of the cash-generating units. It is expected that the organizational changes resulting from the merger in the 2013 financial year will generate synergy effects. Divestitures from the Group did not take place during the reporting period.

c) Impairment test of goodwill

The DCF method is applied by discounting the future cash flows of the CGUs using the Budget 2014 figures for current financial position and performance and then verified using past values. Subsequently, the results are extended by four additional years using individual planning assumptions per CGU that reflect the Company's future development under current conditions. After the five-year planning period, a perpetuity value is calculated using a conservative Group-wide growth rate of 1.5 percent. To determine the present value of future cash flows, a discount rate based on WACC (Weighted Average Cost of Capital) is applied. The following table provides information on key assumptions used to compile the business plan:

Explanation of assumptions of corporate budgeting

Description of key assumptions of budgeting	Approach used to determine key assumptions
– Expected development of customer revenue (new customer, cross-selling-activities, winning of public tender)	Internal estimates referring to past experiences as well as expected market trends or market analysis. On availability, external market studies were considered.
– Expected possible price increase for existing customers affecting recurring revenue	
– Use of current and historical organic growth rates for Business Units or Segments	
– Consideration of regulatory changes affecting the development of a Business Unit	
– Development of purchased services based on current circumstances (e.g. based on contracts, strategic businesses) as well as the anticipated development of the sales activities	
– Expected development of personnel expenses and other operating expenses, based on future personnel requirement, contractual matters (e.g. labor agreements) and statistic procedures (e.g. inflation)	

The individual growth assumptions included here for calculating the 2012 and 2013 recoverable amounts of individual CGUs are as follows. The EBITDA margin resulting from the assumed growth projections is also listed to illustrate the plausibility of the assumptions made.

	EBITDA-Margin				Growth rate			
	2012		2013		2012		2013	
	Year 1	Following years	Year 1	Following years	Year 1	Following years	Year 1	Following years
Lauer-Fischer	14.00%	15.00%	23.18%	25.31%	0.10%	2.80%	-1.12%	3.53%
CGM Deutschland	40.40%	37.70%	31.20%	32.00%	16.90%	3.80%	-4.11%	5.40%
CGM Sweden	33.90%	35.00%	16.85%	19.17%	-2.60%	3.40%	6.91%	2.67%
CGM US	15.20%	17.80%	20.71%	24.94%	10.80%	4.30%	-6.72%	-0.18%
CGM Denmark	20.90%	21.40%	19.86%	20.28%	28.60%	2.70%	3.88%	2.93%
Systema HIS	20.60%	21.40%	17.13%	17.34%	3.10%	2.90%	-12.27%	3.02%
CGM Italy	31.70%	33.70%	46.28%	48.03%	23.80%	5.70%	16.67%	5.70%
Tekne	n/a	n/a	35.59%	35.31%	n/a	n/a	206.82%	2.31%
Qualita in Farmacia	n/a	n/a	6.51%	9.77%	n/a	n/a	3.80%	5.20%
Studiofarma	n/a	n/a	12.84%	0.00%	n/a	n/a	10.61%	3.23%
CGM LAB France	n/a	n/a	-21.47%	11.90%	n/a	n/a	-22.03%	18.52%
DR. Ralle/ÄND	n/a	n/a	5.80%	12.77%	n/a	n/a	27.28%	8.00%
Meditec	n/a	n/a	3.08%	16.77%	n/a	n/a	50.08%	13.97%
CGM Norway	22.00%	23.10%	22.15%	23.23%	14.80%	3.40%	1.89%	1.42%
Ifap	30.00%	29.10%	17.87%	16.14%	77.80%	3.90%	-3.53%	3.47%
CG Österreich	33.80%	33.10%	27.40%	25.07%	1.60%	2.00%	-10.41%	1.97%
CGM Turkey	14.10%	18.00%	13.09%	20.71%	12.70%	0.40%	-0.80%	-7.64%
Innomed	46.50%	47.10%	40.24%	42.27%	10.90%	5.00%	-1.12%	6.22%

	EBITDA-Margin				Growth rate			
	2012		2013		2012		2013	
	Year 1	Following years	Year 1	Following years	Year 1	Following years	Year 1	Following years
CGM Solution	41.40%	43.60%	43.25%	45.39%	25.80%	4.50%	12.86%	4.64%
CGM Netherlands	38.70%	40.60%	31.60%	34.04%	28.90%	4.40%	11.04%	4.68%
CGM Dentalsysteme	46.30%	46.10%	41.60%	41.52%	13.50%	3.70%	1.76%	3.76%
CGM Belgium	53.30%	55.60%	54.56%	56.69%	33.40%	7.40%	12.17%	7.60%
HCS	31.00%	31.80%	30.93%	31.70%	2.90%	2.60%	11.98%	2.57%
Microbais	21.20%	22.70%	29.50%	31.11%	-13.90%	3.60%	-5.23%	3.86%
CGM Ceska republika	33.00%	33.80%	30.24%	32.34%	16.50%	5.00%	13.16%	3.30%
CGM Systema Deutschland	11.50%	12.60%	8.90%	15.55%	12.10%	3.40%	-3.93%	3.74%
CGM Poland	n/a	n/a	12.87%	13.34%	n/a	n/a	-1.14%	3.14%
CGM Schweiz	11.40%	12.40%	5.01%	7.76%	12.70%	5.50%	10.04%	5.08%
CGM Malaysia	0.70%	10.30%	-1.15%	3.48%	129.40%	6.50%	22.50%	1.19%
CGM Lab	7.50%	11.40%	11.01%	13.83%	24.70%	4.10%	7.93%	2.85%
Intermedix France	29.50%	30.20%	25.39%	26.12%	33.70%	5.00%	2.85%	5.00%
CGM Slovensko	12.80%	13.20%	1.23%	5.28%	34.30%	4.20%	23.12%	4.75%
CGM France	9.80%	10.10%	16.36%	16.79%	3.70%	1.90%	7.45%	2.88%

The discount rates (WACC) used to calculate the recoverable amounts for 2012 and 2013 have been divided into WACC after tax and WACC before tax as follows:

	WACC (after tax)		WACC (before tax)	
	2012	2013	2012	2013
Lauer-Fischer	8.00%	9.11%	10.70%	12.38%
CGM Deutschland	8.00%	9.11%	10.70%	12.55%
CGM Sweden	8.00%	9.10%	10.30%	11.25%
CGM US	8.00%	9.11%	12.10%	14.18%
CGM Denmark	7.90%	9.10%	10.10%	11.70%
Systema HIS	7.90%	9.10%	10.10%	11.70%
CGM Italy	9.20%	11.02%	12.60%	15.33%
xDent	n/a	9.10%	n/a	11.75%
Qualita in Farmacia	n/a	11.02%	n/a	15.03%
Studiofarma	n/a	11.02%	n/a	15.34%
CGM LAB France	n/a	9.51%	n/a	12.26%
ÄND	n/a	9.11%	n/a	12.03%
Meditec	n/a	9.11%	n/a	11.94%
CGM Norway	8.00%	9.10%	10.50%	12.12%
Ifap	8.00%	9.11%	10.70%	12.56%
CG Österreich	7.90%	9.10%	10.10%	11.81%
CGM Turkey	10.50%	11.32%	12.60%	13.73%
Innomed	7.90%	9.10%	10.10%	11.64%
CGM Solution	8.00%	9.51%	11.10%	13.49%
CGM Netherlands	7.90%	9.10%	10.10%	11.65%
CGM Dentalsysteme	8.00%	9.11%	10.70%	12.63%
CGM Belgium	8.70%	9.71%	12.30%	13.80%

	WACC (after tax)		WACC (before tax)	
	2012	2013	2012	2013
HCS	7.90%	9.10%	10.10%	11.71%
Microbais	7.90%	9.10%	10.10%	11.67%
CGM Ceska republika	8.80%	9.81%	10.60%	11.80%
CGM Systema Deutschland	8.00%	9.11%	10.40%	12.18%
CGM Poland	n/a	9.96%	n/a	11.97%
CGM Schweiz	7.90%	9.10%	9.70%	11.13%
CGM Malaysia	9.20%	10.31%	9.20%	10.39%
CGM Lab	8.00%	9.10%	10.30%	11.23%
Intermedix France	8.00%	9.51%	11.10%	13.51%
CGM Slovensko	9.00%	9.96%	10.70%	12.06%
CGM France	8.00%	9.51%	11.30%	13.53%

During the financial year, CGU CGM Malaysia incurred an impairment of EUR 893 thousand, which increased amortization of intangible assets in the financial year accordingly. The impairment was primarily caused by continued weak business with low growth and low business volume. The impairment for this CGU is made entirely in goodwill. In addition, an impairment loss on the goodwill value of the discontinued operations of the CGU Dr. Ralle/ÄND in the amount of EUR 209 thousand was made because the expected fair value less costs to sell is lower than its value in use.

All other impairment tests showed a value in excess of the book value and did not result in any further value reductions of goodwill in the 2013 financial year.

A 0.5 percentage point lower growth rate in the perpetuity value would result in an impairment loss of EUR -460 thousand. If the growth rate were 0.5 percentage points lower, the Group-wide surplus would be reduced by EUR 49.5 million to EUR 579.5 million.

A 1 percentage point increase in WACC would necessitate impairment of EUR -3,742 thousand. With a 1 percentage point increase in WACC, Group-wide coverage would be reduced by EUR 129.8 million to EUR 499.2 million.

A 2 percentage point higher WACC would result in an impairment of EUR -14,122 million. The Group-wide surplus would then be reduced by EUR 232.9 million to EUR 369.1 million.

The need for impairment in the financial year, based on a DCF valuation with commencement of the perpetuity value after the first plan year, would amount to EUR -46,353 thousand. The Group-wide surplus would then be reduced by EUR 360.1 million to EUR 268.9 million.

Impairment charges that would arise from a change in the WACC, the growth rate of the perpetuity value as well as commencement of the perpetuity value after the first plan year, were allocated in the following table as shown:

EUR '000	Surplus of recoverable amount (Headroom)	Lower growth rate by 0.5% in the terminal value	Higher cost of capital (WACC) by 1.0 percent	Higher cost of capital (WACC) by 2.0 percent	Perpetuity value after the first plan year
CGM Slovensko	4	-34	-96	-176	-337
CGM Systema D	631	-426	-2,091	-4,241	-7,635
CGM Sweden	7,118	0	-628	-6,752	-11,997
CGM USA	23,068	0	0	0	-20,769
Tekne	319	0	-171	-558	-71
Qualita in Farmacia	613	0	-509	-1,432	-3,705
Dr. Ralle/ÄND	368	0	-135	-532	-1,153
Meditec	292	0	-112	-431	-686
Total	**32,413**	**-460**	**-3,742**	**-14,122**	**-46,353**

d) Acquired software, customer contracts and brands

Acquired software, customer contracts and brands, along with goodwill, constitute the bulk of intangible assets of CGM AG. The following table provides an overview of these assets as well as their useful lives:

	31.12.2013 EUR '000	31.12.2012 EUR '000	Amortization until
Software from acquisitions			
CGM Sweden	5,335	6,151	30.06.2016
CGM Norway	2,237	3,549	30.06.2016
CGM Denmark	1,515	1,428	30.06.2016
Lauer-Fischer	8,204	9,298	30.06.2021
CGM US (formerly Visionary Group)	3,453	4,350	31.08.2020
Systema HIS	5,390	6,086	31.08.2021
CGM Turkey	2,363	3,810	31.12.2016
CGM US (formerly Noteworthy Group)	2,760	3,379	28.02.2019
CGM US (formerly Healthport)	1,414	2,199	31.12.2016
CGM Netherlands	1,676	2,011	31.12.2018
other	16,538	17,844	
Total acquired software	**50,885**	**60,105**	
Customer contracts			
CGM Sweden	16,745	17,931	30.06.2038
CGM Norway	7,127	8,408	30.06.2038
CGM Denmark	4,754	4,961	30.06.2038
CGM US (formerly Visionary Group)	18,742	20,443	31.08.2040
CGM Netherlands	9,828	10,406	31.12.2030
Innomed	9,077	9,644	31.12.2029
CGM Italy (formerly Effepieffe)	4,103	4,514	31.12.2023
CGM US (formerly Healthport)	4,818	5,601	31.12.2024
Lauer-Fischer	14,339	14,977	30.06.2036
CGM Systema Deutschland	5,475	3,862	30.06.2028
other	31,565	26,501	
Total customer contracts	**126,573**	**127,248**	
Brands			
CGM US (formerly Visionary Group)	1,832	2,295	31.08.2018
Lauer-Fischer	2,848	3,228	30.06.2021
Systema HIS	2,723	3,075	31.08.2021
CGM Sweden	1,213	1,426	31.12.2020
CGM Netherlands	792	990	31.12.2017
CGM Systema Deutschland	1,588	1,613	30.08.2019
other	3,882	4,397	
Total brands	**14,878**	**17,023**	

In 2013, there were no changes in the useful lives of intangible assets. In the same period of the 2012 financial year, useful lives of brands were adjusted on account of changing business and market conditions. Those changes were in turn caused by realignments in business strategy which increased amortization of intangible assets in 2012 and in subsequent periods until fully depreciated.

e) Capitalized in-house software

In the 2013 financial year, EUR 9,379 thousand of in-house services (software development) was capitalized pursuant to the requirements of IAS 38. Measurement is based upon directly attributable production costs plus capitalized borrowing costs of EUR 826 thousand. The interest rate used was between 4.93 and 5.02 percent.

Amortization of capitalized software development costs was EUR 3,630 thousand in the reporting period. For more information about changes to intangible assets, refer to the separate appendix to the Notes “Changes in intangible assets and property, plant and equipment in financial year 2013”.

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Amortization of capitalized software development costs was EUR 3,630 thousand in the reporting period. For more information about changes to intangible assets, refer to the separate overview of “Changes in intangible assets and property, plant and equipment”.

f) Cumulative impairment charges

Intangible assets include cumulative impairment charges from the 2012 and 2008 financial years in the amount of EUR 9.1 million. The impairment charge in the 2008 financial year relates to CGU CGM Turkey (formerly “Tepe International”) and is broken down as follows: goodwill (EUR 1.4 million), cooperation agreement (EUR 5.9 million) and software (EUR 0.8 million). The impairment charge in 2012 resulted from an extraordinary impairment charge of EUR 1.0 million on goodwill for CGU CGM South Africa.

In the 2013 financial year, an extraordinary impairment charge of goodwill in the amount of EUR 0.9 million was recorded in CGU CGM Malaysia. Furthermore, the goodwill attributable to the “online portals” and “publishing business” segments, which are held for sale and classified as disposal groups, was impaired by EUR 0.2 million in the 2013 reporting year because the expected selling price (fair value less selling costs) was below the net of the attributable asset values of the business segments held for sale.

Furthermore, the “goodwill” item includes depreciation and amortization of EUR 5.4 million that resulted from financial years before the IAS/ IFRS conversion.

g) Intangible assets from company acquisitions

The following additions to software, customer relationships and brands resulted from business combinations during the 2013 reporting period:

	änd Ärztenach-richtendienst Verlags-AG, Germany EUR '000	Meditec GmbH, Germany EUR '000	Asset acquisition "Neuerone R&D", France EUR '000	Studiofarma Srl, Italy EUR '000	Qualità in Farmacia Srl, Italy EUR '000	Tekne Srl, Italy EUR '000	Asset acquisition "Opas Sozial", Germany EUR '000
Software	418	265	783	1,164	383	208	64
Customer relationships	2,177	1,553	1,914	2,590	2,257	711	210
Brands	0	65	328	542	76	33	42
Total	**2,595**	**1,883**	**3,025**	**4,296**	**2,716**	**952**	**316**

2. Property, plant and equipment

Overview of the development of property and equipment 31 December 2013:

EUR '000	Purchase and production costs: 01.01.2013	Additions from acquisitions	Additions	Disposals and transfers	Exchange rate differences	31.12.2013	Book value: 31.12.2013	01.01.2013
Land and buildings	51,096	1,301	789	26	-10	53,202	45,056	44,695
Other facilities, furniture and office equipment	35,363	432	6,079	-4,584	-1,018	36,272	15,108	15,119
Payments on account and assets under construction	282	0	672	-152	2	804	804	282
Total	**86,741**	**1,733**	**7,540**	**-4,710**	**-1,026**	**90,278**	**60,968**	**60,196**

Overview of the development of property and equipment 31 December 2012:

EUR '000	Purchase and production costs: 01.01.2012	Additions from acquisitions	Additions	Disposals and transfers	Exchange rate differences	31.12.2012	Book value: 31.12.2012	01.01.2012
Land and buildings	31,219	0	12,041	7,729	107	51,096	44,695	26,358
Other facilities, furniture and office equipment	29,941	108	6,814	-1,646	146	35,363	15,219	14,645
Payments on account and assets under construction	9,197	0	306	-9,226	5	282	282	9,197
Total	**70,357**	**108**	**19,161**	**-3,143**	**258**	**86,741**	**60,196**	**50,200**

The additions to land and buildings mainly relate to the building (EUR 1,301 thousand) that was part of the acquisition of Qualità in Farmacia as well as the extension of an office building of our Austrian subsidiary Systema HIS GmbH.

Additions to other assets, plant and office equipment are mainly based on extensions and renewals of data centers carried out by various subsidiaries. Impairments to property, plant and equipment were not recorded in 2012 or in 2011. During the year, the Group did not capitalize borrowing costs.

For details on the development of property, plant and equipment, please refer to the separate annex to the Notes “Development of intangible assets and property, plant and equipment in the 2013 financial year”.

3. Financial assets

a) Investments in associated companies at equity

Shareholdings in associated companies at equity	31.12.2013 EUR '000	31.12.2012 EUR '000
Technosante Nord-Picardie	25	25
Medigest Consultores	556	563
AxiService Nice	7	8
Mediaface	49	49
Total	**637**	**646**

The following table summarizes financial information for Axiservice Nice and Medigest, which are companies recognized at equity. For the other companies recognized at equity, no financial information was available at the balance sheet date. Since all of the other companies recognized at equity only trade with a small volume of business, the impact on the consolidated financial statements is immaterial.

b) Balance sheet-related information on companies recognized at equity

	31.12.2013 EUR '000	31.12.2012 EUR '000
Current assets	381	407
Non-current assets	60	71
Current liabilities	-196	-246
Non-current Liabilities	-137	-81
Net assets	**108**	**151**

c) Income-related information on companies recognized at equity

	Axiservice Nice		Medigest	
	2013 EUR '000	2012 EUR '000	2013 EUR '000	2012 EUR '000
Revenue	639	611	471	624
Net result for the period	-17	4	-15	50

Medigest is a provider of ambulatory information systems for the Spanish private practitioner market. Medigest has about 4,500 physicians among its customers of whom about 2,500 have also concluded a maintenance contract.

Axiservice Nice is a regional sales company for Ambulatory Information Systems in France. Axiservice Nice is the distribution partner for the products of our French subsidiary CGM Solution SAS.

Other financial assets
Measurement is based upon costs. This item relates to the following equity investments and loans (investment percentage is lower than 20 percent):

Participations	31.12.2013 EUR '000	31.12.2012 EUR '000
IC med EDV Systemlsg	25	25
AES Ärzteservice Schwaben	10	10
BFL	14	12
CD Software Lampertheim	54	54
Daisy-Net	3	3
Technosante Toulouse	4	4
Savoie Micro	20	20
Total	**130**	**128**

4. Corporation tax receivables, income tax payables and deferred tax

a) Corporation tax receivables and payables

Deferred tax assets and liabilities	31.12.2013 EUR '000	31.12.2012 EUR '000
Deferred tax assets	**8,396**	**3,732**
Benefit of tax losses to be carried back to recover taxes paid in prior periods	205	0
Deferred tax liabilies	8,191	**3,732**
Other	0	0
Deferred tax liabilies	**14,611**	**19,929**
Deferred tax liabilies	14,586	19,912
Other	25	17
Total	**6,215**	**16,197**

Corporation tax receivables (EUR 8,396 thousand; previous year: EUR 3,732 thousand) are comprised of current corporation tax receivables of the Group companies. Income tax payables (EUR 14,611 thousand; previous year: EUR 19,929 thousand) largely relate to current tax expenditure.

b) Deferred tax assets and liabilities

The amount of deferred tax assets and liabilities in the consolidated balance sheet as of 31 December 2013 is itemized in the following overview:

	01.01.2013		Recognized in profit or loss*		Recognized in OCI*		Acquisitions / Disposals*		31.12.2013	
	Deferred tax assets EUR '000	Deferred tax liabilities EUR '000	Deferred tax assets EUR '000	Deferred tax liabilities EUR '000	Deferred tax assets EUR '000	Deferred tax liabilities EUR '000	Deferred tax assets EUR '000	Deferred tax liabilities EUR '000	Deferred tax assets EUR '000	Deferred tax liabilities EUR '000
Intangible assets	27	50,624	-27	-5,360	0	0	0	4,461	0	49,725
Property, plant and equipment	1,356	364	489	620	0	0	0	0	1,845	984
Financial assets	0	0	0	0	0	0	0	0	0	0
Inventories	0	0	0	0	0	0	0	0	0	0
Trade receivables	959	4,600	-774	-131	0	0	0	0	185	4,469
Other financial assets	438	217	2,000	538	0	0	0	0	2,438	755
Provisions for post-employment benefits	1,737	0	-656	22	-123	0	0	0	958	22
Derivative financial instruments	3,686	1,325		492	-1,349	0	0	0	2,337	1,817
Trade payables	74	0	113	1	0	0	0	0	187	1
Other liabilities	1,248	3,189	2,586	-524	0	0	0	0	3,834	2,665
Tax losses carried forward	8,832	0	-910	0	0	0	0	0	7,922	0
	18,357	**60,319**	**2,820**	**-4,342**	**-1,472**	**0**	**0**	**4,461**	**19,706**	**60,438**
Offset vs. deferred tax liabilities	-14,603	-14,603	0	0	0	0	-3,339	-3,339	-17,942	-17,942
Total	**3,754**	**45,716**	**2,820**	**-4,342**	**-1,472**	**0**	**-3,339**	**1,123**	**1,764**	**42,497**

* Including changes due to currency effects.

In 2013, the deferred tax assets result primarily from tax losses carried forward. The largest item consists of deferred tax assets on losses carried forward by CGM Inc. in the United States (EUR 6,608 thousand) and CGM Solutions in France (EUR 3,291 thousand). In Germany, deferred tax assets were principally created for losses carried forward by CGM Management Society (EUR 720 thousand).

The amount of deferred tax assets and liabilities by balance sheet items in the consolidated balance sheet for the previous year's period to 31 December 2012 is derived from the following overview:

	01.01.2012		Recognized in profit or loss*		Recognized in OCI*		Acquisitions / Disposals*		31.12.2012	
	Deferred tax assets EUR '000	Deferred tax liabilities EUR '000	Deferred tax assets EUR '000	Deferred tax liabilities EUR '000	Deferred tax assets EUR '000	Deferred tax liabilities EUR '000	Deferred tax assets EUR '000	Deferred tax liabilities EUR '000	Deferred tax assets EUR '000	Deferred tax liabilities EUR '000
Intangible assets	0	56,491	27	-9,414	0	0	0	3,547	27	50,624
Property, plant and equipment	1,641	102	-285	262	0	0	0	0	1,356	364
Trade receivables	128	4,026	831	574	0	0	0	0	959	4,600
Other financial assets	0	0	438	217	0	0	0	0	438	217
Provisions for post-employment benefits	595	0	0	0	1,142	0	0	0	1,737	0
Derivative financial instruments	1,865	0	0	1,325	1,821	0	0	0	3,686	1,325
Trade payables	0	1,435	74	-1,435	0	0	0	0	74	0
Other liabilities	1,866	142	-618	3,047	0	0	0	0	1,248	3,189
Tax losses carried forward	10,114	0	-1,282	0	0	0	0	0	8,832	0
	16,209	**62,196**	**-815**	**-5,424**	**2,963**	**0**	**0**	**3,547**	**18,357**	**60,319**
Offset vs. deferred tax liabilities	-10,358	-10,358	0	0	0	0	-4,245	-4,245	-14,603	-14,603
Total	**5,851**	**51,838**	**-815**	**-5,424**	**2,963**	**0**	**-4,245**	**-698**	**3,754**	**45,716**

* Including changes due to currency effects.

c) Tax loss carried forward

	31.12.2013	31.12.2012
Total losses carried forward	**119,337**	**111,443**
thereof tax deductible	20,187	26,739
thereof unused tax losses carried forward	26,390	25,278
thereof forfeitable	72,760	59,426

The recognized loss carried forward of EUR 20,187 thousand (previous year: 26,739 thousand) can currently be carried forward and used for an indefinite period. Unrecognized tax losses carried forward exist as of year-end in several foreign subsidiaries because the probability that they can be recovered has been judged as limited. Depending on the revenues situation and tax legislation, the current assessment may necessitate further adjustment in future years. No deferred tax assets were recognized for tax losses carried forward of EUR 26,390 thousand (previous year: EUR 25,278 thousand) as it is likely that tax losses carried forward cannot be used within the scope of tax-related earnings planning. Loss carried forward of EUR 72,760 thousand (previous year: EUR 59,426 thousand) can no longer be recovered. The vast majority of tax loss carried forward comes from foreign subsidiaries CGM Inc. in the United States and CGM Bilgi Sistemleri A.S. in Turkey.

Deferred tax liabilities largely consist of capitalized in-house software at Group level, of acquired software, customer relationships and brand values from company acquisitions as well as deferred taxes from other consolidations (particularly elimination of intercompany profits).

Deferred taxes are distributed as follows based on their expected future recoverability:

Applicability of deferred taxes	Deferred tax assets 31.12.2013 EUR '000	Deferred tax assets 31.12.2012 EUR '000	Deferred tax liabilities 31.12.2013 EUR '000	Deferred tax liabilities 31.12.2012 EUR '000
Utilization expected within 12 months	1,234	1,833	5,696	6,257
Utilization expected after more than 12 months	530	1,921	36,801	39,459
Total	**1,764**	**3,754**	**42,496**	**45,716**

5. Inventories

	31.12.2013 EUR '000	31.12.2012 EUR '000
Raw materials and supplies	57	274
Products	4,109	3,043
Total	**4,166**	**3,317**

Inventories are mostly hardware components. Write-downs of inventories were as follows:

Depreciation on inventories	31.12.2013 EUR '000	31.12.2012 EUR '000
Inventories as of 1 January	**3,317**	**3,666**
Changes in the scope of consolidation	610	202
Changes in inventory	377	-336
Write-downs in the reporting period	-368	-215
Reversal write-downs/Utilization	231	0
Inventories as of 31 December	**4,166**	**3,317**

6. Trade receivables

In the financial year, adjustments (including derecognition) were made in the amount of EUR 1,596 thousand (previous year: EUR 2,480 thousand).

Specific bad debt provisions are based on the age of receivables throughout the Group. There are exceptions to the controlled impairment of receivables based on aging. This includes significant receivables in business areas where regular long-term contractual relationships exist (e.g. hospital business, ASP service). Such receivables are tested individually for impairment on a case-by-case basis.

Doubtful debts are always impaired individually. The trade receivables value, reduced for specific loss of provision, is a close reflection of the fair value of the receivables because of their short-term nature. Receivables that are deemed to be of minor importance as well as receivables of similar default risk are grouped together and analyzed using historical values to test for impairment. Due to the breadth of its customer base as well as the non-existence of correlations, no significant concentration of credit risk has been found for CGM Group.

a) Receivables from deliveries and services (regions)

Trade receivables (regions)	31.12.2013 EUR '000	31.12.2012 EUR '000
Trade receivables (without PoC)	72,438	66,475
thereof domestic	29,809	26,585
thereof foreign	42,629	39,890
Trade receivables PoC	11,452	11,289
thereof domestic	248	1,580
thereof foreign	11,204	9,709
Total	**83,890**	**77,764**

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b) Age of receivables, breakdown of provisions

	31.12.2013 EUR '000	31.12.2012 EUR '000
Trade receivables	**83,890**	**77,764**
thereof not overdue and not impaired	43,863	42,652
thereof overdue but not impaired		
– overdue 0-3 months	11,544	12,926
– overdue 4-6 months	2,208	654
– overdue 7-12 months	3,194	1,765
– overdue 12-18 months	2,523	1,677
– overdue 18-24 month	141	0
– overdue more than 24 month	1,939	0
thereof impaired	24,110	24,207
Specific provisions	**-5,632**	**-6,117**

The receivables presented above include amounts that are past due at the reporting date, for which the CGM Group has not recognized any impairment losses. This is due to the creditworthiness of customers and that the collectibility and value of the outstanding amounts are regarded as persistent. The fair value of the reporting date of past due but not impaired receivables greater than twelve months amounted to EUR 4,148 thousand (previous year: EUR 1,559 thousand).

Changes to specific provisions in the reporting period are shown in the following table:

Changes to specific provisions	2013 EUR '000	2012 EUR '000
Specific provisions 01.01	6,117	6,799
Utilization	-2,779	-2,564
Reversal	-976	-71
Addition (incl. Additions from company acquisitions)	3,270	1,953
Individual value adjustments as of 31 December	**5,632**	**6,117**

* Exchange rate related changes in individual value adjustments are not disclosed separately for reasons of materiality

With respect to trade receivables that are neither impaired nor past due, there are no indications as of the reporting date that the debtors will not meet their payment obligations.

c) Receivables from the percentage of completion method (PoC)

Receivables from construction contracts (PoC)	31.12.2013 EUR '000	31.12.2012 EUR '000
Contract costs incurred and recognized contract profits	11,452	11,289
– less recognized losses	0	0
– less advance payments received	-1,952	-2,876
Total	**9,500**	**8,413**

Receivables from contracts recognized under the PoC method totaled EUR 11,452 thousand (previous year: EUR 11,289 thousand), less projects with a payment backlog amounting to EUR 1,952 thousand (previous year: EUR 2,876 thousand) that are classified under other financial liabilities. These relate almost exclusively to projects in the Hospital Information Systems business. The cost-to-cost method was used to determine the degree of completion.

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d) Receivables from financial leases

LAUER-FISCHER GmbH offers its clients the leasing of hardware (including all peripheral devices) for up to five years. Income from the leases of LAUER-FISCHER GmbH is recognized in the income statement as sales revenue. The contracts are classified as finance leases (IAS 17.10). The following table provides an overview of LAUER-FISCHER GmbH's financing lease receivables among the designated trade receivables.

Financial lease receivables	31.12.2013 Future minimum lease payments EUR '000	31.12.2013 Interest component EUR '000	31.12.2013 Present value of future leasing receivables EUR '000	31.12.2012 Future minimum lease payments EUR '000	31.12.2012 Interest component EUR '000	31.12.2012 Present value of future leasing receivables EUR '000
< 1 year	6,304	744	5,560	5,971	692	5,279
1-5 years	10,509	1,611	8,898	10,311	1,647	8,664
Total	**16,813**	**2,355**	**14,458**	**16,282**	**2,339**	**13,943**

7. Other financial assets

Other financial assets are broken down as follows:

	31.12.2013 Short-term EUR '000	31.12.2013 Long-term EUR '000	31.12.2012 Short-term EUR '000	31.12.2012 Long-term EUR '000
Leasing receivables	150	98	0	1,336
Long term loans	1,006	1,086	1,108	9,184
Asset value of liability insurance	0	139	0	0
Other	1,567	508	2,831	0
Total	**2,723**	**1,831**	**3,939**	**10,520**

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The following aging analysis provides information on the maturities and impairment in other financial assets:

Other financial assets (structural analysis)	31.12.2013 EUR '000	31.12.2012 EUR '000
Book value – Other financial assets	**4,554**	**14,459**
thereof not overdue and not impaired	4,538	14,443
thereof overdue but not impaired		
– overdue 0-3 months	0	16
– overdue 4-6 months	0	0
– overdue 7-12 months	0	0
– overdue 12-18 months	16	0
– overdue 18-24 month	0	0
– overdue more than 24 month	0	0
thereof impaired	0	0

The fair value of the past due but not impaired other financial assets corresponds approximately to the book value at the reporting date.

In 2009, Systema HIS, Austria, carried out a sale and lease-back transaction with a leasing company. The resulting lease liabilities are disclosed in other liabilities at their present value of EUR 1,200 thousand as of 31 December 2013. Following this transaction, the leased asset was sub-leased to a customer of Systema HIS. The resulting lease receivable as of 31 December 2013 will be reported at a present value of EUR 248 thousand under trade receivables. As a result, Systema Austria is acting both as a lessee towards the leasing company and as a lessor towards the customer. The following table gives an overview of the financial lease receivables of Systema HIS among its designated trade receivables:

	31.12.2013			31.12.2012		
	Future minimum lease payments EUR '000	Interest component EUR '000	Present value of future leasing receivables EUR '000	Future minimum lease payments EUR '000	Interest component EUR '000	Present value of future leasing receivables EUR '000
< 1 year	157	7	150	1,139	26	1,113
1-5 years	100	2	98	228	5	223
Total	**257**	**9**	**248**	**1,367**	**31**	**1,336**

8. Other non-financial assets

Other non-financial assets are broken down as follows:

Other non-financial assets	31.12.2013 EUR '000	31.12.2012 EUR '000
Security deposit	276	213
Input tax surplus receivable	427	1.069
Prepayments for future periods	6,185	4.614
Prepayments for merger and acquisitions	20,000	0
Other	1,469	2.045
Total	**28,357**	**7.941**

The payment in the amount of EUR 20,000 thousand is composed of EUR 18,000 thousand cash payment and EUR 2,000 thousand in treasury shares (non-cash).

There were no long-term financial assets at the balance sheet date.

9. Securities (recognized in the income statement at fair value)
Securities only consist of short-term fixed interest securities held by Group subsidiary Systema HIS, Austria. These are measured at fair value.

10. Cash and cash equivalents

	31.12.13 EUR '000	31.12.12 EUR '000
Cash and bank balances	23,339	18,953
Restricted cash	0	0
Total	**23,339**	**18,953**

Positive balances at banks relate to current accounts and earn interest of up to 0.1 – 0.5 percent per year. Changes in cash and cash equivalents are detailed in the cash flow statement.

11. Discontinued operations
CGM's establishment of control over "ÄND" went hand-in-hand with its intention to dispose of "ÄND" completely. Until November 2013, "ÄND" was reported as a subsidiary held for sale in accordance with the provisions of IFRS 5. In November 2013, CGM abandoned its intention to dispose all of "ÄND", changing it to a partial disposal. The expected price for the business segments, which are held for sale and classified as a disposal group, amounts to EUR 210 thousand.

"ÄND" operates the independent medical Hippokranet network with more than 51,000 registered members, including private practices and hospital doctors of all specialties. "ÄND" boasts its own editorial staff, which provides information on topics of health, professional and social policies as well as medicine. In addition, the medical information service provides companies from the pharmaceutical industry with access to its network of physicians. Moreover, "ÄND" publishes the quarterly waiting room magazine "Durchblick Gesundheit". Assets held for sale and liabilities relate to the online portals and publishing business segments. The marketing business segment is to be continued by CGM.

The table below shows the assets and liabilities of the online portals and publishing business segments which are held for sale and classified as a disposal group.

Assets	31.12.13 EUR '000
Non-current assets	
Intangible assets	253
Property, plant and equipment	4
	257
Current assets	
Inventories	
Trade receivables	37
Other non-financial assets	19
Securities (recognized as profit or loss at fair value)	12
Cash and cash equivalents	57
	124
Assets of disposal group classified as held for sale	**381**

Liabilities	31.12.13 EUR '000
Non-current liabilities	
Deferred taxes	129
	129
Current liabilities	
Trade payables	3
Other provisions	5
Other non-financial liabilities	66
	74
Liabilities of disposal group classified as held for sale	**203**

The earnings components, which are contained in the Group's consolidated net income and are attributable to the "online portals" and "publishing" business segments are listed below. Since the business segments held for sale and classified as a disposal group were not included in the consolidated financial statements until 1 January 2013, no comparisons with prior-year figures have to be made.

	2013 EUR '000
Sales revenue	580
Expenses for goods and services purchased	-263
Personnel expenses	-597
other expenses	-149
EBITDA	**-429**
Depreciation of property, plants and tangible assets	-2
EBITA	**-430**
Amortization of intangible assets	-13
EBIT	**-443**
Financial income	0
Financial expenses	0
EBT	**-443**
Income taxes for the period	-13
Net income of the period	**-457**
Earnings per share from discontinued operations	
Earnings per share (undiluted)	-0.01
Earnings per share (diluted)	-0.01

The measurement of the business segments that were held for sale and classified as a disposal group at fair value less selling costs resulted in a full impairment of goodwill recognized for the online portals and publishing business segments and in a partial write-off of intangible software assets.

The net loss from discontinued operations attributable to parent company shareholders amounted to EUR -457 thousand.

The cash flows from discontinued operations in fiscal 2013 were as follows:

	2013 EUR '000
Change in the discontinued operations 2013	**68**
Deferred tax assets	-38
Other non-cash earnings/expenditures	0
	30
Change in inventories	0
Change in trade receivables	-21
Change in other receivables	-16
Change in trade accounts payables	23
Change in other liabilities	0
Cash flow from operating activities	**15**
Cash inflow on disposals of intangible assets	0
Cash outflow for capital expenditure in intangible assets	-1
Cash inflow on disposals of sales of property, plant and equipment	0
Cash outflow for capital expenditure in property, plant and equipment	-1
Cash flow from investing activities	**-2**
Cash inflow from assumption of loans	0
Cash outflow from the repayment of loans	0
Cash flow from financing activities	**0**
Cash and cash equivalents at the beginning of the period	43
Change in cash and cash equivalents	14
Cash and cash equivalents at the end of the period	**57**

As of 31 December 2013, the Group's cash and cash equivalents from the online portals and publishing operations of änd Ärztenachrichtendienst Verlags-AG, Hamburg, which are held for sale, amounts to EUR 57 thousand.

12. Equity
a) Share capital
The Company's subscribed capital is composed as follows:

	31.12.2013 EUR '000	31.12.2012 EUR '000
Issued and fully paid ordinary shares		
53,219,350 nominal shares of € 1.00 each	53,219	53,219
Authorized capital		
26,609,675 nominal shares of € 1.00 each	26,610	26,610

a) Issued and fully paid ordinary shares
The Company has only one class of shares. These do not automatically entitle shareholders to dividends. The share capital is divided into 53,219,350 bearer shares with the securities ID number 543730 (ISIN: DE0005437305).

b) Authorized share capital
With the approval of the Supervisory Board, the Management Board is authorized to increase the equity of the Company by up to EUR 26,609,675.00 through a one-time or multiple issuance of new shares for cash and/or in-kind capital contributions until 11 May 2016 (approved capital). In utilizing approved capital, the shareholders must in principle be granted a subscription right; however, the Management Board is also authorized, with the approval of the Supervisory Board, to exclude the statutory subscription right of the shareholders under certain conditions. Furthermore, the Management Board was authorized, with the approval of the Supervisory Board, to determine the further details for capital Increases from authorized share capital.

c) Treasury shares

As of 31 December 2011, CGM AG held 3,495,731 treasury shares which is equivalent to 6.57 percent of equity capital. The calculated value attributable to share capital is EUR 3,495,731. The number of company shares is based on the following acquisitions and divestitures:

Financial Year	Buyback program period	Number of shares	Purchase price interval	Average weighted purchase price per share
2007		532,350		
2008	23 January - 18 April 2008	500,000	EUR 8.6430 to 12.6788	EUR 10.3276
2008	22 July - 14 October 2008	500,000	EUR 3.8243 to 5.4881	EUR 4.8426
2008	15 October - 30 December 2008	428,736	EUR 3.1519 to 4.4279	EUR 3.8849
2009	5 January - 31 March 2009	403,876	EUR 3.4100 to 4.7402	EUR 4.0810
2009	1 April - 27 May 2009	500,000	EUR 3.8357 to 4.5988	EUR 4.1578
2009	4. June - 31 December 2009	125,746	EUR 4.1853 to 6.0000	EUR 5.6852
2010	No share buyback	-	-	-
2011	17 August - 31 December 2011	225,553	EUR 7.6496 to 9.3140	EUR 8.3033
2012	2 January -30 June 2012	101,835	EUR 8.4429 to 9.9764	EUR 8.8488
2012	9 July -	282,843	EUR 11.30 to 14.00	EUR 13.2397
2013	**16 December**	**-105,208**	**EUR 5.8049**	**EUR 5.8049**
Total		**3,495,731**		

In accordance with a resolution by the Annual General Meeting on 14 May 2009, the Management Board was authorized to acquire treasury shares. This authorization was valid until 14 November 2010. By resolution of the Annual General Meeting on 19 May 2010, it was terminated and replaced by a new authorization. According to Section 71 Paragraph 1 No. 8 Aktiengesetz (AktG – German Stock Corporation Act), which was amended by the Gesetz zur Umsetzung der Aktionärsrechterichtlinie (ARUG – Law on the Implementation of the Shareholder Rights Directive), an authorization is allowed to last up to five years.

In accordance with a resolution of the Annual General Meeting of 19 May 2010, the company was authorized to purchase up to 10 percent of the share capital in accordance with Section 71 Paragraph 1 No. 8 AktG. At no time may the purchased shares, together with the other treasury shares the Company holds or is due under Sections 71d and 71e AktG, exceed 10 percent of the share capital at the time of the resolution. The acquisition may also be carried out by Group companies that are dependent on the Company within the meaning of Section 17 AktG or by third parties on their behalf. This authority may not be utilized for the purposes of trading in shares.

This authority may be exercised in full or in part, on one or more occasions, to achieve one or more objectives by the Company or by third parties on the Company's behalf. The authorization took effect on 20 May 2010 and remains valid until 19 May 2015.

At the discretion of the Management Board, the purchase will be made via the stock exchanges or by a public buy offer made to all shareholders or by a public request to all shareholders to issue offers for sale.

1) If the share purchase is performed on the stock exchange, the purchase price for one share may not be more or less than 10 percent of the Company's unweighted average share price as calculated by the closing auction of the Xetra trading system (or a corresponding successor system) on the Frankfurt am Main stock exchange in the five trading days prior to the purchase date.
2) If the share purchase is performed through a public purchase offer to all shareholders or through a public invitation to all shareholders to submit sales offers, the purchase price for one share (without ancillary purchase costs) may not be more or less than 20 percent of the Company's unweighted average share price, as calculated by the closing auction of the Xetra trading system (or a corresponding successor system) on the Frankfurt am Main stock exchange in the five trading days prior to the public notification of the invitation to submit such an offer.
3) The purchase offer or invitation to submit sales offers may stipulate further conditions. If the purchase offer is oversubscribed or, in the case of an invitation to submit sales offers, not all offers from among several equivalent offers can be accepted, offers must be accepted in proportion to the respective shares offered. In such cases, low numbers of shares tendered with up to 100 shares per shareholder and rounded in accordance with commercial principles may be given preferential treatment.

The Management Board is entitled to utilize the purchased treasury shares as follows:

1) With the approval of the Supervisory Board, they may be sold on the stock exchange or offered to all shareholders. With the approval of the Supervisory Board, they may be sold by other means provided the consideration for the sale is in cash and the sales price at the time of sale is not significantly lower than the share price for the same class share on the stock exchange. The total proportion of the shares sold under this authorization in relation to the total share capital, together with the proportion of the share capital of new shares that have been issued since the shareholders' resolution for this authorization, i.e. since 19 May 2010, due to any authorizations for share issues

from authorized capital in accordance with Section 186 Paragraph 3 Sentence 4 AktG, may not exceed 10 percent of the Company's share capital.
2) With the approval of the Supervisory Board, they may be offered and transferred to third parties for the purposes of direct or indirect acquisition of companies, company shares or equity investments in companies.
3) With the approval of the Supervisory Board, they may be offered and sold as consideration, so that the Company or one of its subsidiaries can be issued copyright or third party intellectual property rights by third parties, particularly patents or brands, or licenses to such rights for the marketing and development of CGM products.
4) The shares may also be utilized to exercise options arising from share options granted by the Company.
5) In addition, with the approval of the Supervisory Board, they may also be cancelled without requiring approval by the Annual General Meeting. The proportion of the remaining shares in relation to share capital will not be increased by cancellation. Notwithstanding the above, the Management Board may decide not to reduce equity but instead raise the percentage of other equity shares in accordance with Section 8 Paragraph 3 AktG. In this case, the Management Board is entitled to amend the number of shares cited in the articles of association.

The authorizations previously issued in accordance with (1) to (5) may be used on one or more occasions, in full or in part, individually or collectively, and the authorizations in accordance with (1) to (4) may be used pursuant to instructions issued by the Management Board but also by dependent companies or companies in which the Company holds a majority stake, or third parties acting on the Company's account.

Shareholders' subscription right to treasury shares is excluded insofar as thesis shares are used according to the above authorizations in (1) to (4).

b) Reserves (equity reserves, retained earnings and dividends in respect of equity instruments)
The following changes apply to the Group's reserves:

Change in general reserves	31.12.2013 EUR '000	31.12.2012 EUR '000
Balance as at 1 January	**161,843**	**146,166**
Group net income	23,147	30,716
Actuarial gains and losses	388	-2,616
Dividend distribution	-17,366	-12,475
Additional purchase of shares from minority interests after control	-73	0
Change in scope of consolidation	-486	0
Stock option program	0	52
Issue of own shares	1,389	0
Balance as at 31 December	**168,792**	**161,843**

The main developments in 2013 were as follows:

The consolidated net income for the period of EUR 23,147 thousand (previous year: EUR 30,716 thousand) was transferred to reserves. By resolution of the Annual General Meeting of 15 May 2013, a dividend of EUR -17,366 thousand (previous year: EUR -12,475 thousand) was issued to shareholders which corresponds to a dividend of EUR 0.35 (previous year: EUR 0.25) per dividend-bearing share.

Furthermore, the actuarial result increased reserves by EUR 338 thousand (equity reserves, retained earnings and dividends in respect of equity instruments).

For the acquisition of Imagine Group, France, treasury shares were issued at a value of EUR 2,000 thousand as a purchase price component consisting of equity instruments whereby EUR 611 thousand were accounted for in treasury shares (number of shares multiplied by the average cost) and EUR 1,389 thousand were placed in reserves.

Due to changes in the scope of consolidation (initial consolidation of KoCo Konnektor AG and first-time reporting of the minority interest of IS Informatikysteme GmbH) reserves were reduced by EUR 486 thousand. The reporting of the minority stake of IS computer science GmbH had been omitted in previous years for reasons of immateriality.

If a final dividend is recommended, it will be conditional on shareholder approval at the Annual General Meeting in 2014. Consequently, it will not be recorded as a liability in the consolidated financial statements. There are no corporation tax effects for the Company resulting from dividend payments. The size of the dividend depends exclusively on the single-entity financial statements of CompuGroup Medical Aktiengesellschaft. For 2013, the year under review, EUR 0.35 will most likely be proposed as the dividend per dividend-bearing share, which corresponds to a total amount of EUR 17,366 thousand.

c) Reserves from hedging transactions (cash flow hedge accounting)

Reserve from hedging transactions	31.12.2013 EUR '000	31.12.2012 EUR '000
Balance as at 1 January	**-8,604**	**-4,425**
Changes in the fair value of cashflow hedges		
Interest rate swap	4,496	-5,995
Income tax related to gains / (losses) recognized in OCI	-1,349	1,816
Balance as at 31 December	**-5,457**	**-8,604**

The reserve from hedging transactions includes gains or losses on the effective portion of cash flow hedges that have arisen due to changes in the fair value of the hedging transactions. The cumulative gain or loss from changes in the fair value of the hedging instrument that was recognized in the reserve from hedging transactions is only recognized in the income statement when the hedged transaction has an impact on the income statement.

d) Reserves from foreign currency conversion

Reserve from currency translation	31.12.13 EUR '000	31.12.2012 EUR '000
Balance as at 1 January	-6,176	-10,572
Currency conversion differences	-1,317	4,396
Realized gains and losses	0	0
Balance as at 31 December	**-7,493**	**-6,176**

Exchange differences arising from the conversion of the functional currency of foreign operations into the Group's reporting currency (EUR) are recognized directly in the consolidated financial statements under other comprehensive income and accumulated in the foreign currency conversion reserve. Conversion differences which were recognized earlier in the foreign currency conversion reserve (conversion of net assets of foreign operations) are transferred to the income statement when a partial or complete sale of the foreign operation has been performed.

e) Non-controlling interests

Non-controlling interests by company

List of CGM's non-controlling interests	31.12.13 EUR '000	31.12.2012 EUR '000
CGM South Africa	-85	12
Privadis	-226	-2
IfAp Neu-Golm	18	18
KoCo Connector AG	-4,247	0
IS Informatiksysteme	387	0
SF Sanità und Farloyalty	51	0
Total	**-4,102**	**28**

Changes in non-controlling interests in the 2013 financial year

Nicht beherrschende Anteile	31.12.13 EUR '000	31.12.12 EUR '000
Balance as at 1 January	**28**	**71**
Share of profit for the year	-1,429	-293
Payments by third-party shareholders	125	250
Addition from changes in consolidation scope KoCo Connector AG	-3,348	0
Addition from changes in consolidation scope IS Informatiksysteme	315	0
Addition from acquisitions (SF Sanità and Farloyalty)	199	0
Additional purchase of shares from minority interests after control (Studiopharma s.r.l.)	-164	0
Balance as at 31 December	**-4,274**	**28**

13. Retirement plans and provisions for post-employment benefits
Benefits provided by CGM Group's pension scheme consists of defined benefit and defined contribution plans for employees in Germany, the Netherlands, Austria and the United States.

a) Defined contribution plans
In Germany, all employees in the Group companies are offered a defined contribution plan under the German statutory pension insurance, which the employer is required to contribute to. The employer contribution is tied to the current contribution rate of 9.45 percent (employer's share) in relation to the pension-based employee remuneration. In addition, the CGM Group offers occupational pension schemes (direct insurance) in the form of deferred compensation without increasing employer payments.

Furthermore, there are defined contribution plans (401k plans as direct insurance) for employees in the United States. Through its 401k plan, our subsidiary in the United States pays deferred compensation elements for employees into certain tax-advantaged retirement savings plans (retirement plans) which are offered by financial institutions. With the 401K plans, employees have a portion of their remuneration transferred to the savings plan with employers having the option of increasing their contributions. An increase in employer payments is not currently offered by the US subsidiary.

In addition to receiving this benefit, eligible employees in other countries, such as Austria or the Netherlands, benefit from respective country-specific regulations or other individual agreements.

The expenses of EUR 15,425 thousand (previous year: EUR 13,796 thousand) recognized in income statement represent CGM Group's contributions to these defined contribution plans in accordance with the contributions stipulated therein.

b) Defined benefit plans
CGM Group offers defined benefit plans for employees in Germany and the Netherlands.

CompuGroup Medical Deutschland AG has non-forfeitable pension obligations to current and former employees. The Company has pledged firmly guaranteed retirement and disability pensions to former employees upon reaching retirement age. Moreover, in case of a former employee passing away, surviving dependents are entitled to a lump-sum payment. For two active employees of CompuGroup Medical Deutschland AG, there are guaranteed retirement and disability pension commitments effective at the time of retirement. In case of these employees passing away, surviving dependents are entitled to 60 percent of the guaranteed pension. Another six active employees of CompuGroup Medical Deutschland AG have received firm commitments for fixed benefits at retirement age. These employees have not been guaranteed disability pension commitments or death benefits. The agreed retirement age for all current and former employees entitled to benefits is 65 years. In the event of early retirement of current and former employees who are entitled to benefits, the agreed benefits are reduced by 0.5 percent per month until the agreed retirement age of 65 has been reached.

In the Netherlands, the Company offers defined benefit commitments depending on salary and years of service. The details of the pension plan are listed in the following table:

Eligibility requirements	All employees older than 21 years
Normal retirement age	Age 65
Early retirement age	Not applicable
Pensionable	12.96 times fixed monthly salary including holiday allowance, with a maximum of EUR 220,500 (2013)
Offset	The part of the salary with no pension accrual
Pension Base	Pensionable salary less offset
Pensionable service normal retirement	Number of (part time weighted) years from beginning of service until normal retirement age (maximized on 44 years)
Indexation Actives	Unconditional based on wage inflation
Indexation Deferred/Pensioners	Unconditional based on price inflation

Pension scheme	Average pay system
Retirement pension	Sum of 2.25 percent times pension base per year
Survivor's pension	54.44 percent of retirement pension (fully funded)
Orphans's pension	10.89 percent of retirement pension
Waiver of premium disability	Yes

As of 30 June 2012, the defined benefit pension plan for the Dutch subsidiary's active employees was changed. All active employees were transferred to a defined benefit plan. For former employees entitled under the defined benefit pension, the commitment remains unchanged.

Furthermore, there are also severance payment provisions for the majority of Austrian employees (pursuant to Section 23 Angestelltengesetz (Salaried Employees Act) and Section 2 Arbeiterabfertigungsgesetz (Employees Severance Pay Act), which, in accordance with IAS 19, are to be considered post-employment benefits. These severance payment provisions generally correspond to a severance payment in relation to payments that eligible employees receive at the point of departure from the company. Payment of the severance pay entitlement is also impacted by the reason for the employee's resignation. In addition, surviving dependents will be paid 50 percent of existing severance payment benefits. Likewise, similar provisions have been set aside in other foreign subsidiaries for statutory programs such as the TFR Fund (Italian Civil Code Article 2120) in Italy which are to be considered post-employment benefits in accordance with IAS 19. Essentially, the TFR fund is equivalent to severance pay in relation to payments which eligible employees receive at the point of departure from the company.

The present value of the defined benefit obligation from the underlying plan is determined using a discount rate based on the yields from prime fixed-rate corporate bonds. The discount rate used by the CGM Group is based on the iBoxx indices which are applied to the defined benefit obligation with matching maturities.

In general, CGM Group is exposed to the following actuarial risks with regard to the existing CGM Group benefit plans:

– **Longevity risk:** The present value of the defined benefit obligation for the corresponding benefit plans is determined based on the best estimate of the probability of death of each beneficiary both during employment and after termination. An increase in the life expectancy of eligible employees leads to an increase in the plan liability.
– **Salary risk:** The present value of the defined benefit obligation for appropriate benefit plans is determined based on the expected future salaries of eligible employees. Accordingly, salary increases raise the benefit obligation associated with the plan.
– **Inflation risk:** An increase in the long-term inflation assumption would primarily affect the expected pension increase and the expected increase in pensionable salaries.

Risks arising from the payment of benefits to family members (surviving dependent benefits) of eligible employees are partially reinsured by an external insurance company.

Provisions for post-employment benefits are accounted for using the current pension reports, all of which were compiled by external service providers (actuaries).

The following actuarial assumptions were made in determining the defined benefit obligation and related plan assets:

Principle Assumptions used for the purposes of the actuarial valuations were as follows:	Germany		Austria		Netherlands		Italy		France	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012	31.12.2013	31.12.2012	31.12.2013	31.12.2012	31.12.2013	31.12.2012
Discount rate(s)	3.0	2.5	3.6	3.5	4	3.6	3.4	2.9	3	3
Expected rate(s) of salary increase	2.0	2.4	3.25	3.25	2.5	2.5	2	2	1.32	1.31
Pension growth rate(s)	2.0	2.0	n/a	n/a	2	2	n/a	n/a	n/a	n/a

* For Germany based on the mortality table of Heubeck, others based on country-individual plans (Description)

Domestic pension obligations are based on the typical mortality rates applied in Germany (according to Heubeck 2005 G). In the Netherlands, pension obligations are calculated based on the 2012 – 2062 AG forecast table.

The amounts recognized in other comprehensive income for the defined benefit plans are as follows:

	31.12.13 EUR '000	31.12.12 EUR '000
Service cost:		
Current service cost	937	1,001
Past service cost and (gain)/loss from settlements	-2,930	1,047
Net interest expense	**145**	**261**
Components of defined costs recognised in profit or loss	-1,848	2,309
Remeasurement on the net defined benefit liability:		
Return on plan assets (excluding amounts included in net interest expense)	659	-713
Actuarial gains and losses arising from changes in demographic assumptions	-162	207
Actuarial gains and losses arising from changes in financial assumptions	-1,011	3,033
Actuarial gains and losses arising from experience adjustments	53	1,022
adjustments for restrictions on the Defined benefit asset	0	0
Components of defined benefit costs recognised in other comprehensive income	**-461**	**3,549**
Total	**-2,309**	**5,858**

The current annual cost of EUR -1,848 thousand (previous year: EUR 2,309 thousand) is recognized in full in the personnel expenses of CGM Group. Defined benefit expenses arising from the revaluation of net liability for defined benefit plans in the amount of EUR 461 thousand (previous year: EUR -3,549 thousand) were recognized in other comprehensive income.

The defined benefit obligations developed as follows in the financial year:

	Present value of pension commitment EUR '000	Fair value of plan assets	Total EUR '000
Balance as at 1 January 2012	**8,432**	**-2,667**	**5,765**
Current service costs	1,001	0	1,001
Interest income / cost	501	-240	261
Remeasurement (gains)/losses:			
Return on plan asset (excluding amounts included in net interests)	0	-713	-713
Actuarial gains and losses arising from changes in demographic assumptions	207	0	207
Actuarial gains and losses arising from changes in financial assumptions	3,033	0	3,033
Actuarials gains and losses arising from experience adjustments	1,022	0	1,022
Past service cost, including losses/(gains) on curtailments	665	0	665
Payment of debts / disposal of assets by plan settlement	0	0	0
Liabilities assumed in a business combination	46	0	46
Benefits paid	-251	0	-251
Contributions from the employer	0	-156	-156
Contributions from plan participant	149	-149	0
Balance as at 31 December 2012	**14,805**	**-3,925**	**10,880**
Balance as at 1 January 2013	**14,805**	**-3,925**	**10,880**
Current service costs	937	0	937
Interest income / cost	184	-39	145
Remeasurement (gains)/losses:			
Return on plan asset (excluding amounts included in net interests)	0	659	659
Actuarial gains and losses arising from changes in demographic assumptions	-162	0	-162
Actuarial gains and losses arising from changes in financial assumptions	-1,011	0	-1,011
Actuarials gains and losses arising from experience adjustments	53	0	53
Past service cost, including losses/(gains) on curtailments	0	0	0
Payment of debts / disposal of assets by plan settlement	-5,358	2,428	-2,930
Liabilities assumed in a business combination	1,966	0	1,966
Exchange differences on foreign plans	-18	0	-18
Benefits paid	-208	256	48
Contributions from the employer	0	-289	-289
Contributions from plan participant	80	-80	0
Balance as at 31 December 2013	**11,268**	**-990**	**10,278**

The expected funding requirement arising from post-employment benefits for the financial year ending on 31 December 2013 amounts to EUR 13 thousand.

The fair values of plan assets (defined benefit obligations for Germany and the Netherlands) are entirely attributable to the asset class “reinsurance”. The existing “reinsurance” assets can be described as “qualifying insurance policies” and are therefore plan assets that are not traded in a liquid market.

The average weighted duration of the pension obligation is 11 years for Germany, 26 years for the Netherlands, 21 years for Austria and 16 years for Italy.

Changes in provisions for post-employment benefits in the last five years are shown in the following table:

	12/31/2009 EUR ‘000	12/31/2010 EUR ‘000	12/31/2011 EUR ‘000	12/31/2012 EUR ‘000	12/31/2013 EUR ‘000
Present value of pension commitment	1,478	3,183	8,432	14,805	11,268
Present value of plan assets	-602	-608	-2,667	-3,925	-990
Shortfall	876	2,575	5,765	10,880	10,278

A total EUR 682 thousand is expected to be paid into pension plans in the 2014 financial year. These contributions will be recognized as expenses in the income statement.

Sensitivity analysis

The applicable actuarial assumptions used to determine the defined benefit obligation in CGM Group are the discount rate, expected salary increases and inflation expectations. The sensitivity analyses presented below are based on best possible estimates of the changes in the assumptions as of the balance sheet date of 31 December 2013. In the event of changes in actuarial assumptions for sensitivity analysis purposes, other actuarial assumptions have remained unchanged.

	Increase		Decrease	
Sensitivity analysis	in %	EUR ‘000	in %	EUR ‘000
Impact of the discount rate on pension commitment	1.00	-687	1.00	2,107
Impact of future salary increases on pension commitment	0.25	36	0.25	-458
Impact of future pension development on pension commitment	0.25	413	0.25	-391

For the previously mentioned sensitivity analysis, it is considered unlikely that the scenario in question will occur in reality because it can be assumed that changes that occur in some assumptions might correlate with each other. When calculating the sensitivity of the defined benefit obligations, the same method that was used to calculate pension provisions on the balance sheet was applied.

14. Financial liabilities (current and non-current)

The financial liabilities of CGM Group are as follows:

	31.12.13		31.12.12	
	current EUR ‘000	non-current EUR ‘000	current EUR ‘000	non-current EUR ‘000
Current liabilities to banks	43,514	278,108	46,580	222,733
Other loans	53	36	304	0
Total	**43,567**	**278,144**	**46,884**	**222,733**

Liabilities to credit institutions and other loans

a) Liabilities to banks

Liabilities to banks can be broken down as follows:

Liabilities to banks	Book value 31.12.12 EUR '000	Book value 31.12.13 EUR '000	thereof in EUR	Interest rate at end of current year in %	Fair value at end of current year EUR '000
SEB	237,000	255,000	255,000	2.79	255,000
IKB	6,875	3,750	3,750	3.9	3,775
IKB	9,167	5,000	5,000	4.45	5,076
SEB	0	15,000	15,000	2.55	15,000
Commerzbank	0	18,000	18,000	2.79	18,000
Kreissparkasse Biberach	1,344	1,219	1,219	2.75	1,248
SaarLB	3	0	0	5.5	0
Sparkasse Koblenz	5,621	5,081	5,081	3.3	5,529
SaarLB	1,879	1,691	1,691	2.75	1,761
SaarLB	0	10,000	10,000	2.85	10,567
Medio Credito	667	615	615	1.6	619
Banca Intesa	0	72	72	3.02	72
Rabobank	522	484	484	3.65	484
Rabobank	348	323	323	3.5	323
other	5,888	5,386	5,386		5,386
Total	**269,313**	**321,622**	**321,622**		**322,840**

On 31 December 2013 the Group's total gross debt amounted to EUR 321.6 million. The Group held cash of EUR 23.3 million.

In January 2010, two loans in the amount of EUR 10 million each which were both refinanced through KfW, were taken out with IKB Deutsche Industriebank, Düsseldorf (IKB No. 3 and IKB No. 4). Both loans were fully utilized on 31 December 2013. Loan 1KB No. 3 has a 3.9 percent fixed interest rate. Interest is payable at the end of each financial quarter. The principle repayment is to be made quarterly in the amount of EUR 625 thousand; the first repayment is due on 30 September 2011. The loan term runs until 30 June 2015. Loan IKB No. 4 has an interest rate of 4.45 percent. Interest is payable at the end of each financial quarter. The principle repayment is to be made quarterly in the amount of EUR 833 thousand; the first repayment was due on 30 September 2012. The loan term runs until 30 June 2015. The loans were valued at EUR 8,750 thousand as of 31 December 2013.

By agreement dated 22 December 2010, CGM AG concluded a loan agreement worth EUR 300 million. The loan consists of a "term loan facility" (hereinafter "TLF") for EUR 160 million and a "multi-currency revolving loan facility" (hereinafter referred to as "RLF") for EUR 140 million, both of which reach maturity on 22 December 2015. A change made on 5 May 2011 increased the TLF amount to EUR 190 million; repayment amounts were adjusted accordingly. Upon the increase, the total loan sum amounts to EUR 330 million. As a result, the TLF is to be repaid since 31 January 2012 at six-month intervals at a rate of EUR 15 million whereas the RLF must be repaid at the end of each interest period and the loan may be reissued at the same time. CGM selected an interest period of three months. The interest rate is based on the appropriate EURIBOR rate for the interest period chosen plus a margin derived from the relationship between the consolidated net debt and adjusted EBITDA.

As of 31 December 2012, EUR 130 million of the TLF and EUR 125 million of the RLF had been utilized. Transaction costs totalling EUR 7.1 million were incurred related to these facilities. These fees will be charged as an expense over the term of the loan agreement. The granting of the loan is linked to meeting certain financial covenants. The loan agreement includes joint and several guarantees for payment by a number of Group subsidiaries (contingent liability in case of non-payment of CompuGroup Medical AG). The guarantee provision requires that the subsidiary guarantors constitute a defined percentage of the Group's EBITDA and Group net assets.

In the first quarter of 2012, CompuGroup Medical Deutschland AG signed another loan agreement to finance the purchase of the administration building "Maria Trost 21" in the amount of EUR 6.1 million. The mortgage loan has a term of ten years and has a fixed interest rate of 3.3 percent. The loan value as of 31 December 2013 was EUR 5.1 million.

During the 2013 financial year, new financing was acquired in significant quantities. In December, CompuGroup Medical AG concluded with SEB a loan agreement for a total amount of EUR 15 million. This loan pertains to a "term loan facility" which is due on 22 December 2015 and is not amortized over the term. The other conditions are the same as those that apply to the existing syndicated credit facility of 22 December 2010. The loan amount utilized was EUR 15.0 million as of 31 December 2013.

Furthermore, CompuGroup Medical AG concluded a further loan agreement with Commerzbank in December for a total amount of EUR 30 million. This loan is a "revolving credit facility", which reaches maturity on 22 December 2015. The other conditions are the same as those that apply to the existing syndicated credit facility of 22 December 2010. The loan amount utilized was EUR 18.0 million as of 31 December 2013.

In the same month, CompuGroup Medical Deutschland AG concluded a loan agreement with Saar LB in the amount of EUR 10.0 million for financing office buildings "Maria Trost 25" and "Carl-Mand-Strasse 17." This mortgage loan has a term of ten years and has a fixed interest rate of 2.85 percent. The loan value as of 31 December 2012 was EUR 10.0 million.

Other liabilities to banks include:

- A mortgage loan to CGM Deutschland AG in the amount of EUR 3.0 million for which a payment guarantee by the parent company was granted as security. The loan was valued at EUR 1.7 million as of 31 December 2013.
- A mortgage loan to CGM SYSTEMA Deutschland GmbH for EUR 3.0 million. The loan value as of 31 December 2013 was EUR 1.2 million.
- Two loans to CompuGroup Italia. The two loans were valued at EUR 0.7 million as of 31 December 2013.
- Two loans to CompuGroup Medical Netherlands B.V. The loans were valued at EUR 0.8 million as of 31 December 2013.

b) Other loans

On 31 December 2013 other loans amounted to EUR 89 thousand (previous year: EUR 304 thousand).

c) Expected payments for financial liabilities

	Total Financial Debt	thereof: Liabilities to banks
2014	43,683	43,665
2015	262,376	262,360
2016	2,617	2,604
2017	2,326	2,314
2018	2,295	2,284
2019	2,161	2,153
2020	2,081	2,074
2021	2,064	2,062
2022 and later	2,107	2,105
Total	**321,711**	**321,622**

15. Purchase price liabilities (current and non-current)

Purchase Price Liabilies Company	31.12.2013 current EUR '000	non-current EUR '000	Total EUR '000	31.12.2012 current EUR '000	non-current EUR '000	Total EUR '000
Meditec	0	794	**794**	0	0	**0**
CG Österreich	0	0	**0**	220	0	**220**
CGM Lab	0	0	**0**	2,561	0	**2,561**
UCF	0	0	**0**	7,723	0	**7,723**
CGM Belgium	812	0	**812**	758	602	**1,360**
Lauer Fischer	0	0	**0**	10,000	0	**10,000**
CGM Netherlands	1,100	0	**1,100**	1,100	0	**1,100**
Effepieffe	0	0	**0**	210	0	**210**
Opas Sozial	288	0	**288**	0	0	**0**
Dr. Ralle/ÄND	500	0	**500**	0	0	**0**
DS Medica	500	0	**500**	500	0	**500**
APAK-Soft	39	10	**48**	0	0	**0**
Innomed	6,155	0	**6,155**	5,966	0	**5,966**
Studiofarma	0	501	**501**	0	0	**0**
Qualita in Farmacia	0	315	**315**	0	0	**0**
Tekne	0	954	**954**	0	0	**0**
Total	**9,394**	**2,573**	**11,966**	**29,038**	**602**	**29,640**

Non-current purchase price liabilities (due in more than one year)

CompuGroup Medical Belgium: Non-current portion of the 3.74 percent (previous year: 3.67 percent) discounted variable purchase price liability (earn-out clause) subject to the annual increase in maintenance revenue in the 2012, 2013 and 2014 financial years, but which does not exceed EUR 1.5 million. In the 2012 financial year, an earn-out of EUR 106 thousand was paid for the 2011 financial year. The estimate of future results remains unchanged as against the previous year; the Company continues to assume a maximum amount over the total term. A discount rate of 5.0 percent is used.

Studiofarma Srl: A put and call option has been arranged for the acquisition of an additional 9.29 percent of the shares with a fixed exercise price of EUR 597 thousand plus changes in the ISTAT index. The earliest date of exercise is 1 August 2017.

Qualità in Farmacia Srl: A put and call option has been arranged for the acquisition of the remaining 5 percent of shares with a fixed exercise price of EUR 375 thousand plus changes in the ISTAT index. The earliest date of exercise is 1 August 2017. A discount rate of 5.0 percent is used.

Tekne: A put and call option has been arranged for the acquisition of the remaining 20 percent of shares. Option volume is based on Tekne's annual software maintenance revenue in the year the option is exercised. The exercise period of the call option on the first 10 percent will run from 1 January 2017 to 30 June 2017. The exercise period of the agreed put option on the first 10 percent will run from 1 July 2017 to 31 December 2017. The amount of the expected drawdown of the put option for the transmission of the first 10 percent of the outstanding shares amounts to EUR 500 thousand and is accounted for as a discounted purchase price liability as of the balance sheet date. The exercise period of the call option on the second 10 percent will run from 1 January 2019 to 30 June 2019. The exercise period of the agreed put option on the first 10 percent will run from 1 July 2019 to 31 December 2019. The amount of the expected drawdown of the put option for the transfer of the second 10 percent of the outstanding shares amounts to EUR 500 thousand. A discount rate of 5.0 percent is used. Furthermore a fix payment obligation of EUR 150 thousand results from the initial acquisition of 80 percent of the company's shares.

Abak-Soft: The purchase agreement stipulates a fixed purchase price component of a total of EUR 49 thousand. Of this amount, EUR 10 thousand is classified as long term and is due for payment in 2015.

Meditec: The call option granted to CGM for the acquisition of the outstanding 30 percent of shares can be exercised any time and will run until 31 December 2016. The call option is based on two times the amount of sustainable recurring revenue Meditec GmbH generates in the year prior to when the options are exercised multiplied by the percentage of outstanding shares (30 percent). At minimum, CGM will have to pay EUR 1,000 thousand at the time the call option is exercised. The seller has been granted two put options. The seller's first put option has a maturity date of 31 December 2016 and can be exercised at any time until then. The seller's first put option is based on two times the amount of sustainable recurring revenue Meditec GmbH generates in the year prior to when the options are exercised multiplied by the percentage of outstanding shares (30 percent). The seller's second put option takes effect if the purchaser failed to exercise the call option by expiry of the pre-set contract period (31 December 2016). For the second put option, the seller is granted a term beginning 1 January 2017 until 31 March 2017. Upon exercise of the put option, the payment amount is calculated using the following scale:

– Equal to the sustainable recurring revenue of the 2016 financial year, provided this is less than EUR 3,000 thousand, multiplied by the percentage of outstanding shares (30 percent).
– Twice the sustainable recurring revenue of the 2016 financial year if equal to or greater than EUR 3,000 thousand, multiplied by the percentage of outstanding shares (30 percent).

The put options granted to the seller were assessed by CGM accordingly and reported at a discount as expected purchase price liabilities in the consolidated balance sheet (EUR 794 thousand). A discount rate of 5.9 percent is used.

Current purchase price liabilities (due in less than one year):
Innomed: Purchase price liability from the put option of non-controlling shareholders for the remaining 29.7 percent of Innomed shares. The purchase price is based on the estimated average EBITDA in 2011 and 2012 multiplied by the factor six. Furthermore, undistributed profits of EUR 2,229 thousand for the 2010 financial year are to be compensated proportionately (at 29.7 percent) in the purchase price liability. The put options may be exercised from 1 January 2013 to 31 December 2018.

Dr. Ralle/ÄND: Outstanding, contractually agreed and payable purchase price of EUR 500 thousand. The amount is currently retained as security.

CGM Netherlands: The purchase price liability stems from the expected additional purchase price payment as the result of contractually agreed purchase price adjustment mechanisms. As of the reporting date, the parties involved had not yet reached an agreement regarding this amount. The purchase price liability is classified as current because an agreement of the parties may occur at any time.

CompuGroup Medical Belgium: Current portion of the variable purchase price liability (earn-out clause) subject to the annual increase in maintenance revenue in the 2012, 2013 and 2014 financial years, but which does not exceed a maximum of EUR 1.5 million. For the 2012 financial year, an earn-out in the amount of EUR 548 thousand was paid in 2013. The forecast of future results remains unchanged from last year, and the maximum amount of the agreed earn-out remains the operating assumption for the entire term.

"OPAS Sozial": Contractual earn-out agreement securing 20 percent of the revenue from software maintenance and service contracts as well as license sales from the "OPAS Sozial" business segment for the next three financial years. The expected amount to be paid from the earn-out agreement is EUR 306 thousand and is accounted for by CGM at the balance sheet date as a discounted purchase price liability in the amount of EUR 286 thousand.

ABAK-Soft: The purchase agreement stipulates a fixed purchase price component of a total of EUR 49 thousand. Of this amount, EUR 39 thousand is classified as current and is due for payment in 2014.

CompuGROUP Österreich: short-term purchase price liability from a purchase agreement from 26 May 2009 regarding the purchase of the remaining 20 percent from non-controlling shareholders. The purchase price liability formed on the previous year's balance sheet date was equal to the final purchase price instalment of EUR 220 thousand which was paid in January 2013.

CompuGroup Medical LAB: The put option held by non-controlling shareholders in the amount of the nominal share value (SEK 22.0 million). The put option is exercisable during the period 1 March to 30 April 2013. Under the put option, shares were tendered to our subsidiary, CGM Sweden AB, in March 2013. The purchase price liability as of 31 December 2012 was equal to the purchase price paid.

UCF: The purchase price liability results from the put option right of minority shareholders and is evaluated in the amount of the fair value of the remaining shares. The fair value of the put option is calculated is by using market multiples for small and mid-cap software companies as well as a discounted cash flow (DCF) model. An unchanged WACC after tax of 10.06 percent and a corporate tax rate of 33 percent have been applied. In July 2013, CGM Deutschland AG acquired the outstanding shares of UCF for a purchase price of EUR 8,706 thousand. The purchase price liability formed on 31 December 2012 in the amount of EUR 7,723 thousand was revalued at mid-year 2013 and increased by EUR 1,077 thousand to the expected fair value of EUR 8,800 thousand. The resulting difference of EUR 94 thousand resulted primarily from currency-related exchange differences since the exact amount of the purchase price had to be paid in British pounds (GBP).

LAUER-FISCHER: The purchase price liability formed on 31 December 2012 corresponds to the purchase price pursuant to the option agreements on acquiring the remaining 12.5 percent of shares in LAUER-FISCHER GmbH at a fixed price of EUR 10.0 million. The agreed sum was paid out at the time the remaining 12.5 percent of the shares in LAUER-FISCHER GmbH were acquired in December 2013.

16. Trade payables

	31.12.2013 EUR '000	31.12.2012 EUR '000
Trade payables	**22,902**	17,428

The trade payables in the amount of EUR 22,902 thousand (previous year: EUR 17,428 thousand) have an exclusive residual maturity of up to one year. Liabilities from trade payables pertaining to companies acquired in the 2013 financial year amounted to EUR 2,318 thousand as of 31 December 2013.

17. Other provisions

The development of current provisions for personnel and other provisions in the 2013 financial year is as follows:

in EUR '000	Personnel expenses	Guarantee and sales commitments	External year-end accounting costs	Legal charges	Others	Total
Balance as at 1 January	**14,882**	**1,009**	**920**	**1,236**	**3,384**	**21,431**
Changes in exchange rates	-173	-21	-7	-43	-73	-317
Addition from first time consolidation	230	26	108	0	3	367
Additions	13,956	781	1,050	690	3,572	20,049
Utilization	-11,767	-667	-900	-195	-2,979	-16,508
Releases	-984	-141	-30	-435	-163	-1,753
Balance as at 31 December	**16,144**	**987**	**1,141**	**1,253**	**3,744**	**23,269**

The development of current provisions for personnel and other provisions in the 2012 prior-year period is as follows:

in EUR '000	Personnel expenses	Guarantee and sales commitments	External year-end accounting costs	Legal charges	Others	Total
Balance as at 1 January	**14,557**	**1,624**	**1,147**	**1,143**	**4,214**	**22,685**
Changes in exchange rates	115	20	3	7	-2	143
Change in scope of consolidation	11	19	17	-5	-42	0
Addition from first time consolidation	365	0	0	0	0	365
Additions	14,920	115	801	893	2,760	19,489
Utilization	-13,483	-760	-988	-684	-3,527	-19,442
Releases	-1,603	-9	-60	-118	-19	-1,809
Balance as at 31 December	**14,882**	**1,009**	**920**	**1,236**	**3,384**	**21,431**

Provisions for personnel expenses particularly pertain to bonuses and commissions (2013: EUR 1,495 thousand; previous year: EUR 4,294 thousand), vacation provisions (2013: EUR 1,915 thousand, previous year: EUR 1,628 thousand) and overtime (EUR 1,105 thousand, previous year: EUR 1,016 thousand). These were calculated on the basis of the underlying hourly rates and social security deductions.

The provisions for guarantees relate to contractual commitments in connection with the installation of hospital software solutions.

The provisions formed for legal charges in the 2013 financial year largely stem from subsidiaries CGM Solutions (EUR 413 thousand), CGM France (EUR 263 thousand), Intermedix France (EUR 120 thousand), CGM Turkey (EUR 144 thousand) and CGM Deutschland AG (EUR 55 thousand). They generally pertain to legal disputes with former employees and customers.

Provisions for guarantees and legal charges are, by their nature, subject to higher levels of uncertainty.

The other provisions mainly relate to current provisions. Only the provisions for guarantees and warranty include a portion that would be expected at a later date than 12 months after the reporting date. Discounted values are not separately disclosed due to materiality.

18. Other financial and non-financial liabilities and derivative instruments

a) Other financial liabilities

Other financial liabilities are broken down as follows:

	31.12.2013		31.12.2012	
	current EUR '000	non-current EUR '000	current EUR '000	non-current EUR '000
Leasing liabilities	0	1,200	0	2,362
Loans	53	36	304	0
PoC excess liability	1,952	0	2,876	0
Employee payables	2,462	0	2,313	0
Debtors with credit balances	606	0	1,112	0
Prepayment for projects	0	0	17	0
Social security liabilities	977	97	1,167	750
Interest on tax audit expense	0	0	1,180	0
Repayment obligation APO-Bank	0	0	786	0
Total	**6,050**	**1,333**	**9,755**	**3,112**

	31.12.2013			31.12.2012		
	Future minimum lease payments EUR '000	Interest component EUR '000	Present value of future leasing receivables EUR '000	Future minimum lease payments EUR '000	Interest component EUR '000	Present value of future leasing receivables EUR '000
< 1 year	140	70	**70**	583	91	**492**
1-5 years	559	231	**328**	559	251	**308**
> 5 years	979	177	**802**	1,789	227	**1,562**
Total	**1,678**	**478**	**1,200**	**2,931**	**569**	**2,362**

b) Other non-financial liabilities

Other non-financial liabilities are broken down as follows:

	31.12.2013		31.12.2012	
	current EUR '000	non-current EUR '000	current EUR '000	non-current EUR '000
Deferred income	21,387	0	18,188	0
VAT, payroll tax	11,041	0	9,682	0
Investment grants	0	1,749	0	1,840
Guarantees	0	1,230	0	1,201
Other non-financial liabilities	1,457	0	1,477	0
Total	**33,885**	**2,979**	**29,347**	**3,041**

c) Derivative financial instruments

	31.12.2013		31.12.2012	
	Assets EUR '000	Liabilities EUR '000	Assets EUR '000	Liabilities EUR '000
Current derivative financial instruments				
Interest swap – cash flow hedges	0	0	0	0
Stock option – held for trading	0	0	0	0
Current total	**0**	**0**	**0**	**0**
Non-current derivative financial instruments				
Interest swap – cash flow hedges	0	7,852	0	12,285
Stock option – held for trading	6,056	0	4,417	0
Non-current total	**6,056**	**7,852**	**4,417**	**12,285**
Total	**6,056**	**7,852**	**4,417**	**12,285**

The derivative financial instruments (2013: EUR 7,852 thousand; prior year: EUR 12,285 thousand) balanced as a liability represent the negative market values of interest rate hedges (interest rate swap), valued by applying the mark-to-market method at fair value. The fair value is the present value of future cash flows based on observable yield curves.

Derivative financial instruments hedge against the effects of interest rate fluctuations. Variable interest rates were fixed with terms and a multi-currency revolving loan facility using interest rate swaps. Interest rate swaps (hedging transactions) were designated in a cash flow hedge with the term and multi-currency revolving loan facility (hedged item). The ineffective portion of cash flow hedges are classified in other comprehensive income and amounted to EUR 0 thousand in 2013 since all interest rate hedge instruments are accounted for under Hedge-Accounting, which is effective as at the balance sheet date.

The nominal value of interest rate swaps in hedge accounting amounted to EUR 250 million on 31 December 2013 and thus remained unchanged from last year. As of 31 December 2012, the fixed interest rates ranged from 1.83 percent to 2.07 percent; the variable interest rate was the three-month EURIBOR.

Profits and losses from interest rate swaps accounted in the equity hedge reserve as of 31 December 2012 contain interest rate hedging instruments measurements.

The stock option held for trading (EUR 6,056 thousand; previous year: EUR 4,417 thousand) consists of a call option for the purchase of shares measured at fair value that can be exercised at any time until 31 December 2016. The measurement and the parameters underlying the measurement of the share option held for trading are explained in section G under “Fair value measurement”.

19. Sales revenues

In the 2013 financial year, changes were made in the allocation of revenue of LAUER-FISCHER GmbH, Germany to individual types of revenue. The structure of revenue for the 2012 financial year was amended as follows:

	31.12.2013 EUR '000	31.12.2012 EUR '000	Adjustments EUR '000	2012 (adjusted) EUR '000
Software licenses	35,405	57,199	-13,297	43,902
Software maintenance and other recurring revenue	300,613	264,272	20,430	284,702
Services	57,705	56,159	-5,781	50,378
Hardware	28,284	24,225	-1,359	22,866
Advertising, eDetailing and data	27,758	34,208	-1,253	32,955
Software Assisted Medicine	2,663	3,172	0	3,172
Other revenue	7,126	11,347	1,259	12,606
Total	**459,555**	**450,582**	**0**	**450,582**
Thereof Construction Contracts (PoC-revenue)	**21,987**	**19,891**	**0**	**19,891**

The changes in revenue from software licenses relate to multi-year software license agreements which, due to their recurring revenue nature, are now attributed to revenue from software maintenance and other recurring revenue. The adjustment of service revenue pertains to concluded hardware maintenance contracts which are also now reported in revenue from software maintenance and other recurring revenue due to their recurring revenue nature. The adjustment of hardware revenue results from the reclassification of interest income from hardware rentals into software maintenance and other recurring revenue. In the 2012 financial year, revenue reported under advertising, e-detailing and data from the cooperation agreement with ARZ Haan AG, which was terminated in the same year, is now classified as other income.

20. Research and development expenses and capitalized in-house services

a) Research and development expenses

Research and development expenses include all costs arising in the course of software research and development activities. Exceptions to this are development costs incurred due to statutory or contractually mandated ongoing development work (updates, maintenance etc.) which cannot be predetermined or controlled by the Group.

Total expenses for research and development which were recognized in the income statement amounted to EUR 22,855 thousand.

b) Capitalized in-house services

Capitalized in-house services within CGM Group pertains to the capitalization of expenses for in-house software and the applicable expenses of its own employees for Group-wide implementation of the new Enterprise Resource Planning (ERP) and Customer Relationship Management (CRM) software. The ERP and CRM software was introduced as part of the “One Group” project that meets the criteria set forth by IAS 38. In the 2013 financial year, approximately 280,000 working hours were performed (previous year: approximately 217,000 hours) and capitalized along with their applicable cost rates. Depending on the country, the hourly rate for capitalization fluctuates between EUR 15 and EUR 61. During the 2013 financial year, expenses for in-house software of KoCo Connektor AG, Berlin were capitalized in CGM Group for the first time as a result of the Company’s inclusion in the consolidated group.

21. Other income

	2013 EUR ‘000	2012 EUR ‘000
Income from services performed	**1,643**	**1,104**
thereof rental income	662	410
thereof services related income	756	475
thereof investment grants	225	219
Remaining other operating income	**869**	**4,299**
thereof compensation received from damages	282	2,071
thereof non-period result from PoC valuation	0	1,231
thereof gain on sale of fixed assets	76	650
other	511	347
Gesamt	**2,512**	**5,403**

Rental income is derived primarily from renting out office, warehouse and training spaces in Koblenz to partners. Investment grants are subsidies granted for the construction of an office and administration building of CGM Italy. The income from services performed relates to operating the company cafeteria and providing management services to partners.

22. Expenses for purchased goods and services

	2013 EUR ‘000	2012 EUR ‘000
Software licenses	5,826	7,857
Software license and other recurring revenue	37,200	33,796
Professional Services	10,381	18,920
Hardware	18,750	17,596
Advertising, eDetailing and data	877	666
Software Assisted Medicine	200	295
Other cost of goods	6,118	3,388
Total	**79,352**	**82,518**

The “Software maintenance and other recurring revenue” item primarily relates to external service providers operating the customer service hotline as well as sales activities. The position “Professional Services” contains expenses from non-customer related software development services for the reference period in the amount of EUR 5,251 thousand which have no direct relation to revenue recognition. (See Note A. b) Reporting principles and fundamental principles).

23. Personnel expenses and employees

a) Personnel expenses

Personnel expenses	2013 EUR '000	2012 EUR '000
Salaries	171,463	164,167
Employer social security costs	35,057	32,141
of which net pension expenses – Benefits	-1,848	2,309
of which net pension expenses – Contribution	15,425	13,796
Termination benefits	1,877	1,846
Other personnel expenses	6,544	3,797
Total	**214,941**	**201,951**

In 2013, contributions to domestic statutory health insurance organizations amounted to EUR 12,822 thousand (previous year: EUR 12,467 thousand). Other personnel costs include expenses for training and education of employees, recruitment costs and the costs of occupational health care.

b) Employees

The average number of Group employees for the 2013/2012 financial years was as follows:

	2013	2012
Group employees (headcount)	3,215	2,971
Apprentices	85	81
Part time	489	467
Total	**3,789**	**3,517**

The average number of employees in a managerial capacity in the Group was 70 (previous year: 60).The Management Board of CGM AG was not counted.

24. Other expenses

Other expenses can be broken down as follows:

Other operating expenses	2013 EUR '000	2012 EUR '000
Losses on disposal of fixed assets	21	4,909
Losses on currency exchange	0	144
Bad-debt adjustments	1,596	2,480
Administrative and sales expense	78,032	65,664
Total	**79,649**	**73,172**
Administrative and sales expenses:		
Legal and consulting fees	9,903	9,594
Occupancy	13,944	14,292
Company cars	8,996	8,162
External contractors	9,968	0
Travel	8,149	7,209
Advertising/entertainment	6,881	6,682
Trade fairs	3,707	2,664
Office and business equipment	3,474	3,559
Telephone	4,572	4,318
IT (software, maintenance etc.)	3,369	2,421
Postage	1,290	2,089
Insurances/fees/contributions	1,304	1,810
Other	2,475	2,839
Total	**78,032**	**65,639**

The external contractors item relates to purchased administrative services and purchased software development services. (See Note A. b) Reporting principles and fundamental principles).

25. Depreciation and amortization

Depreciation of property, plant and equipment is comprised as follows:

	Depreciation tangible assets	
	2013 EUR '000	2012 EUR '000
Land and buildings	1,756	1,577
Other facilities, furniture and office equipment	5,617	5,630
Payments on account and assets under construction	0	0
Total	**7,373**	**7,207**

Amortization of intangible assets is comprised as follows:

	Depreciation intangible assets	
	2013 EUR '000	2012 EUR '000
Goodwill/business value	1,102	1,020
Software	14,126	13,601
Customer contracts	8,860	8,065
Brands	3,013	3,354
Order backlog	2,843	3,368
Purchased software licenses	0	257
Capitalized in-house services	3,630	3,927
Total	**33,575**	**33,592**

26. Results from associated companies at equity

The results from associated companies in financial year 2013 amounted to EUR -20 thousand (previous year: EUR -360 thousand) of which EUR -7 thousand comes from Medigest and EUR 5 thousand from Axiservice, Nice.

27. Financial income and financial expenses

a) Financial income

Financial income is broken down as follows:

	2013 EUR '000	2012 EUR '000
Interest on loans	593	651
Change in fair value of stock options held for sale	1,639	4,417
Apo-Bank	0	1,326
Currency gain or loss	1,723	767
Other	363	318
Total	**4,318**	**7,479**

b) Financial expenses

Financial expenses are broken down as follows:

	2013 EUR '000	2012 EUR '000
Interest on loans	13,789	14,368
Capitalized borrowing costs on qualified assets	-823	-493
Loan origination fees	1,490	2,459
Increases in purchase price liabilities	1,311	4,653
Currency loss on loans	9,786	1,513
Other interest	365	400
Total	**25,918**	**22,900**

28. Income taxes

Income taxes are comprised as follows:

	2013 EUR '000	2012 EUR '000
Income tax paid or owed	**20,066**	**23,017**
Germany	**8,568**	**14,062**
Current tax expense	8,685	13,034
Tax adjustments from prior years	-117	1,028
Other countries	**11,498**	**8,955**
Current tax expense	11,498	8,955
Deferred taxes	**-7,033**	**-5,066**
from temporary differences	-7,943	-6,348
from recognition of tax losses from previous periods	910	1,282
Total	**13,033**	**17,951**

(Deferred) income taxes, which are recognized directly in other comprehensive income, are broken down as follows:

	2013 EUR '000	2012 EUR '000
Current tax	**0**	**0**
Deferred tax	**-1,472**	**2,749**
Arising on income and expenses recognised in other comprehensive income	**-1,472**	**2,749**
Translation of foreign operations	0	0
Fair value remeasurement of hedging instruments entered into for cash flow hedges	-1,349	1,816
Property revaluations		
Remeasurement of defined benefit obligation	-123	933
Arising on income and expenses reclassified from equity to profit or loss	**0**	**0**
Relating to cash-flow hedges	0	0
Relating to available-for-sale financial assets	0	0
On disposal of a foreign operation	0	0
Arising on gains/losses of hedging instruments in cash flow hedges transferred to the initial carrying amounts of hedged items	**0**	**0**
Deferred tax recognized in other operating income	**-1,472**	**2,749**

The consolidated tax rate serves as the basis for corporation tax and legal structure planning. Hence, the Group tax rate is held to be a figure that contains information about the Company's (income) tax burden. In accounting terms, the ratio of the reported income tax expense and profit before tax will give rise to the Group tax rate.

Consequently, the consolidated tax charge is the sum of current and deferred tax whereby utilization of losses brought forward, the use of tax credits, tax allowances and the book value of deferred tax assets have a favorable impact on the final consolidated tax rate.

The reconciliation between the statutory tax rate (nominal) and the actual tax rate is shown below:

	2013		2012	
	EUR '000	in %	EUR '000	in %
Earnings before taxes (EBT)	35,208		48,374	
Nominal tax rate – theoretical tax expense	10,562	30%	14,512	30%
Effect of differing domestic tax rates	1,167	3%	-374	-1%
Effects of tax rate changes on deferred taxes (balanced)	-1,228	-3%	0	0%
Expense from tax audit	700	2%	1,792	4%
Tax reimbursement for prior years	-817	-2%	-764	-2%
Loss foreign countries – tax saving	981	3%	772	2%
Effects of non-tax-deductible expenses	1,367	4%	480	1%
Effects of non-tax-deductible amortization of goodwill	268	1%	0	0%
Tax expense from permanent differences	433	1%	1,902	4%
Other differences	-400	-1%	-369	-1%
Effective tax expense	**13,033**	**37%**	**17,951**	**37%**

The weighted average tax rate was unchanged year on year at 30 percent in line with the corporate tax rate borne by CompuGroup Medical AG in Germany on taxable profits. Under German tax regulations, taxes on income include the “Körperschaftssteuer” (corporation tax), “Gewerbesteuer” (local business tax) and the “Solidaritätszuschlag” (solidarity surcharge for the former East Germany). Taxes in connection with the discontinuation of business divisions in the 2013 financial year amounted to EUR 13 thousand . Income tax expenses include no expenses and income that are based on changes in accounting and valuation methods.

29. Earnings per share from continuing operations

Earning per share	2013	2012
Consolidated net income for the period allocated to the parent company in TEUR	**23,604**	**30,716**
Number of ordinary shares(#)	53,219,350	53,219,350
Treasury shares(#)	3,495,731	3,600,939
Outstanding ordinary shares at closing date(#)	**49,723,619**	**49,618,411**
Earnings per share (in €)		
– undiluted	0.48	0.62
– diluted	0.48	0.62

F. Segment reporting

The segment reporting of CGM Group is in alignment with the management approach required by IFRS 8 and based on the internal structure and reporting. In order to reflect regional differences of the healthcare industry with regard to organization and regulation, the reporting covers product and service-related financial data as well as regional information. For management purposes as well as resource allocation, the product and service-related structure is a decisive parameter and is divided into a total of six business segments.

CompuGroup Medical AG is active in the following business segments:

- Ambulatory Information Systems (AIS) is focused on practice management software and electronic medical records for office-based physicians, dentists, medical care centers and physicians' networks.
- Pharmacy Information System (PCS) is focused on integrated clinical, administrative and financial software applications for pharmacies and mail order pharmacies.
- Hospital Information Systems (HIS): Hospital, laboratory and special care information systems.
- Communication & Data: Targeted at pharmaceutical and medical equipment manufacturers, enabling them to provide information to physicians through software interfaces.
- Workflow & Decision Support: Targeted at healthcare payers (health Insurers, managed care companies and public sector organizations) and physicians by providing an information channel via software interfaces to optimize decision-making.
- Internet Service Provider (ISP): targeted at healthcare providers (physicians, dentists, pharmacists and hospitals), providing internet/intranet networks for information exchange.

The Company has defined EBITDA (earnings before interest, tax, depreciation and amortization) as a key financial indicator for the evaluation and assessment of segment performance. EBITDA represents the segment result.

The reporting segments can be described as follows:

- HPS I (Health Provider Services I): development and sale of software solutions for physicians, dentists and pharmacists.
- HPS II (Health Provider Services II): development and sale hospital, laboratory and special care information systems (hospital information system (HIS)).
- HCS (Health Connectivity Services): products and services to facilitate networking in between various healthcare participants, targeted specifically at pharmaceutical companies, healthcare payers and healthcare providers.

The reporting segment Health Provider Services I (HPS I) is composed of the business segments Ambulatory Information Systems (AIS) and Pharmacy Information System (PCS). The reporting segment Health Connectivity Services (HCS) is composed of the business segment Communication and Data (C&D), Workflow & Decision Support (WDS) and Internet Service Provider (ISP). The business segment Hospital Information Systems (HIS) is externally reported as Health Provider Services II (HPS II).

The "Other segments" category (IFRS 8.16) mainly comprises income and expenses from software development located at headquarters in Koblenz.

"Reconciliation" comprises corporate functions managed from Koblenz headquarters (e.g. IT, Human Resources, Legal) and consolidation measures between the segments. Transactions between business divisions were previously carried out in the same way as those between external third parties.

The segment information is based on the same disclosure and evaluation methods as the consolidated financial statements. Transactions among CGM Group's segment companies are always agreed at arm's length.

G. Other disclosures

Notes on the cash flow statement and cash equivalents

The CGM Group creates the consolidated cash flow statement pursuant to International Accounting Standard (IAS) 7 “Statement of Cash Flows”. CGM discloses its cash flows in order to reveal the sources and uses of cash and cash equivalents. It distinguishes between cash flows from operating activities, investing activities and financing activities. Cash and cash equivalents include cash on hand, checks, balances at banks and other financial assets with a maturity of no more than three months. In cash and cash equivalents, securities are therefore recognized to the extent they are short term and not subject to a significant risk of price fluctuations. The effects of currency conversion are adjusted for in the calculation. The assets held for sale of the “Online portals” and “Publishing business” in Germany contain cash and cash equivalents in the amount of EUR 57 thousand.

Cash flows from operating activities are determined by first adjusting consolidated net income for non-cash items such as depreciation/impairment/write-ups of intangible assets and property, plant and equipment while including changes in provisions and changes in other assets and liabilities as well as in net current assets.

Cash flows from investing activities partly pertain to cash outflows for investments in intangible assets, property, plant and equipment, subsidiaries and other business units as well as investments accounted for under the equity method and jointly controlled entities. In addition, this is where we document the proceeds from the sale of intangible assets and property, plant and equipment and subsidiaries and other business units.

During the reporting year, cash flows from investing activities largely consisted of cash outflow for investments in intangible assets and property, plant and equipment. The outflows for acquisitions of subsidiaries and other business units relate to acquisitions and sales shown in the section “Company acquisitions.”

With regard to cash flows from financing activities, we report both paid and received dividends, the repayment and assumption of debt change, in pension provisions as well as payments for the acquisition of non-controlling interests and other financing transactions.
The change in financial liabilities during the year was marked by the scheduled repayment of borrowings. Furthermore loans have been settled according to schedule.

Payments for income taxes are already included in consolidated net income, which is the basis for calculating cash flows from operating activities. The actual amount of income tax payments during the reporting period is reported as additional information below the cash flow statement. The same applies to the reporting of interest paid and received.

Cash and cash equivalents (cash available as of the balance sheet date) are recognized in the cash flow statement.

Capital management

The Group aims to strengthen its equity base in the long term and achieve an adequate return on capital invested. However, the Group’s accounting capital is only a passive risk control criteria while revenue and EBITDA are active control elements.

CGM Group’s capital structure consists of net debt (incurred borrowings less cash and cash equivalents) and the Group’s equity. Group equity includes issued shares less the number of treasury shares, capital and revenue reserves, other reserves as well as shares of non-controlling shareholders. A detailed breakdown of the Group’s equity can be found in the “Changes in equity” or “Equity” sections.

Financial covenants based on the consolidated equity ratio were agreed for the syndicated loan. It is both the target and the strategy of capital management to comply with or to optimize the financial covenants set out in the credit agreement so as to continue funding under the existing syndicated credit facility with unchanged or improved terms and conditions (the interest margin is directly tied to a financial covenant).

The consolidated equity ratio defined as a financial covenant is 25 percent. The consolidated equity ratio as of 31 December 2013 amounted to 27.0 percent (previous year: 27.6 percent) and is particularly affected by the consolidated net profit (EUR 21,718 thousand; previous year EUR 30,423 thousand) and dividend payments (EUR 17,366 thousand; previous year: EUR 12,497 thousand).

The CGM Group's debt ratio as of the balance sheet date is calculated as follows:

Gearing ratio (capital management)	31.12.2013 EUR '000	31.12.2012 EUR '000
Debt[1]	321,711	271,675
Cash and bank balances (including cash and bank balances in a disposal group held for sale)	23,339	18,953
Net Debts	**298,372**	**252,722**
Equity[2]	184,667	179,407
Net debt to equity ratio	*162%*	*141%*

1) Liabilities defined as current and non-current financial liabilities (excluding derivatives and financial guarantees) are shown in Note 14 Financial liabilities (current and non-current)
2) Equity includes all capital and reserves held by the Group

Dynamic gearing ratio	31.12.2013 EUR '000	31.12.2012 EUR '000
Debt[1]	321,622	269,313
Cash and bank balances (including cash and bank balances in a disposal group held for sale)	23,339	18,953
Net Debts	**298,283**	**250,360**
Earnings before interest, taxes, depreciation and amortization (EBITDA)	97,776	104,954
Net debt to EBITDA ratio	*3.05%*	*2.39%*

1) Debt is defined as current and non-current liabilities to banks

All agreed financial covenants were met during the 2013 financial year.

Financial instruments
A financial instrument is a contract that simultaneously gives rise to a financial asset at one company and a financial liability or equity instrument at another entity.

CGM Group's financial instruments to be classified as financial assets consist of "cash and cash equivalents", "trade receivables", "receivables from construction contracts", "other receivables", "finance leasing receivables", "other financial assets", "securities" and "stock options – held for trading". Financial instruments to be classified as financial liabilities were composed of "liabilities to banks", "purchase price liabilities", "trade payables", "other financial liabilities", "leasing liabilities" and "interest rate swaps – cash flow hedges".

Financial instruments are recognized when CGM becomes party to the financial instrument contract. Financial assets are recognized on the settlement date except for derivative financial instruments which are recognized on the trading day. All financial instruments are initially recognized at fair value. Costs are capitalized only when the subsequent valuation of financial instruments is not measured at fair value in the income statement. For subsequent measurements, financial instruments are broken down into the following classes under IAS 39:

- Financial instruments carried at amortized cost
- Financial instruments measured at fair value

These two classes are assigned to different rating categories. Financial instruments assigned to the categories "financial assets recognized at fair value in the income statement", "available for sale" and "held for trading" are generally measured at fair value.

For financial instruments to be measured at fair value, the determination was based on the market information available on the balance sheet date using the following methods and assumptions:

The measurement category "financial assets recognized at fair value in the income statement" (FVtPL) comprises financial assets such as "securities" and "stock options – held for trading" as well as financial liabilities from "purchase price liabilities" which are to be measured at fair value. The fair value of securities is based on quoted market prices in an active market on the balance sheet date.

The measurement category "assets available for sale" (AfS) comprises investments of less than 20 percent and reported as "other financial assets". The financial instruments in the category "available for sale" pertain to non-derivative financial assets which are, to the extent a reliable determination can be made, recognized at fair value. If their fair value cannot be reliably measured, they will be carried at cost. Fluctuations in value between reporting dates are recognized directly in the statement of comprehensive income (revaluation reserve), unless there is permanent impairment, which is then recognized in the income statement. When disposing of assets, the amounts recognized in the revaluation reserve are included in the income statement. In the absence of reliable measurements, due to the fact that it is not possible to reliably determine cash flows, shares of less than 20 percent held by CGM Group are carried at cost. There are no other financial instruments available in the category “assets available for sale”. On 31 December 2013, management harboured no intention of selling assets classified as “available for sale”.

All financial assets classified as “loans and receivables” (LaR) are carried at cost using the effective interest method. Financial instruments classified as “loans and receivables” are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

CGM Group recognizes “cash and cash equivalents”, “trade receivables”, “receivables from construction contracts” and “other financial assets” under this category. On account of the mostly short maturities, the book values of financial instruments that are classified as “loans and receivables” correspond approximately to their fair values. The fair values of the loans granted by CGM Group loan are derived from the present value of expected future payments. For discounting purposes, the appropriate interest rates on the balance sheet date are used. The fair value of the loans granted by CGM Group on the balance sheet date roughly corresponds to the book value. If the recoverability of these financial instruments is in doubt, they are stated at cost appropriate less value adjustments.

All financial liabilities – except for derivative financial instruments – are generally measured at cost using the effective interest method. With regard to financial instruments that are classified as “trade payables” and “other financial liabilities”, the book value almost corresponds to the fair value. The “liabilities to banks” (oL) item in financial liabilities is divided into fixed-rate liabilities and variable liabilities. For fixed-rate liabilities, fair value is measured as the present value of expected future cash flows while the appropriate interest rates on the balance sheet date are used for discounting purposes. The fair value of variable liabilities different to the book values.

The derivative financial instruments taken out for liabilities to banks (“interest rate swaps – cash flow hedges”) are accounted for under hedge accounting provided they meet the requirements of IAS 39 regarding the hedging relationship.

As of the balance sheet date, CGM Group held no relevant financial instruments in the assessment category “held for trading”.

Financial instruments classified as “held to maturity” are not used by CGM Group.

The following table provides information on the classification of financial assets and liabilities pursuant to the measurement categories of IAS 39. The financial assets of “finance lease receivables”, financial liabilities from “leasing liabilities” as well as „interest rate swaps – cash flow hedges” are not covered by the measurement categories under IAS 39 but are reported in the table below under financial instruments. The valuation of financial assets from “financial leasing receivables” and financial liabilities from “leasing liabilities” are measured at cost in accordance with the provisions of IAS 17.

As of 31 December 2013, the financial instruments by valuation category were as follows:

Categories of financial instruments in accordance with IAS 39	Category according to IAS 39	Book value as at 31.12.2013	IAS 39 valuation: Acquisition costs (continued)	IAS 39 valuation: Fair value through profit and loss	IAS 39 valuation: Fair value through equity	IAS 17 valuation: Acquisition costs (continued)	Fair value as at 31.12.2013
Financial assets							
Cash and bank balances	LaR	23,339	23,339	0	0	0	23,339
Trade receivables	LaR	57,978	57,978	0	0	0	57,978
Receivables from construction contracts (PoC)	LaR	11,452	11,452	0	0	0	10,387
Other receivables	LaR	4,307	4,307	0	0	0	4,456
Finance lease receivables	–	14,708	0	0	0	14,708	16,502
Other financial assets	AfS	130	130	0	0	0	130
Securities	FVtPL	165	0	165	0	0	165
Stock options held for trading	FVtPL	6,056	0	6,056	0	0	6,056
Total financial assets		**118,134**	**97,206**	**6,220**	**0**	**14,708**	**119,013**
Financial liabilities							
Liabilities to banks	oL	321,622	321,622	0	0	0	322,840
Purchase price liabilities	oL	11,966	11,966	0	0	0	11,966
Purchase price liabilities	FVtPL	0	0	0	0	0	0
Trade payables	oL	22,902	22,902	0	0	0	22,902
Other financial liabilities	oL	6,184	6,184	0	0	0	6,184
Financial lease obligations	–	1,200	0	0	0	1,200	1,275
Interest rate swap	–	7,852	0	0	7,852	0	7,852
Total financial liabilities		**371,725**	**362,673**	**0**	**7,852**	**1,200**	**373,019**
Total per category							
Assets held for trade	AfS	**130**	130	0	0	0	**130**
Liabilities to banks and receivables	LaR	**97,076**	97,076	0	0	0	**96,160**
Financial assets at fair value assets	FVtPL	**6,220**	0	6,220	0	0	**6,220**
Other financial liabilities	oL	**362,673**	362,673	0	0	0	**363,892**
Liabilities at fair value through profit and loss	FVtPL	**0**	0	0	0	0	**0**

The financial instruments by valuation category for the prior-year period as of 31 December 2012 are as follows:

Categories of financial instruments in accordance with IAS 39	Category according to IAS 39	Book value as at 31.12.2012	IAS 39 valuation Acquisition costs (continued)	IAS 39 valuation Fair value through profit and loss	IAS 39 valuation Fair value through equity	IAS 17 valuation Acquisition costs (continued)	Fair value as at 31.12.2012
Financial assets							
Cash and bank balances	LaR	18,953	18,953	0	0	0	18,953
Trade receivables	LaR	53,238	53,238	0	0	0	53,238
Receivables from construction contracts (PoC)	LaR	10,583	9,272	0	0	0	9,272
Other receivables	LaR	13,085	13,085	0	0	0	13,085
Finance lease receivables	–	15,317	0	0	0	15,317	17,194
Other financial assets	AfS	128	128	0	0	0	128
Securities	FVtPL	165	0	165	0	0	165
Stock options held for trading	FVtPL	4,417	0	4,417	0	0	4,417
Total financial assets		**115,886**	**94,676**	**4,582**	**0**	**15,317**	**116,452**
Financial liabilities							
Liabilities to banks	oL	269,313	268,525	0	0	0	268,525
Purchase price liabilities	oL	21,917	21,917	0	0	0	21,917
Purchase price liabilities	FVtPL	7,723	0	7,723	0	0	7,723
Trade payables	oL	17,428	17,428	0	0	0	17,428
Other financial liabilities	oL	10,504	10,504	0	0	0	10,504
Financial lease obligations	–	2,362	0	0	0	2,362	2,323
Interest rate swap	–	12,285	0	0	12,285	0	12,285
Total financial liabilities		**341,532**	**318,374**	**7,723**	**12,285**	**2,362**	**340,705**
Total per category							
Assets available for sale	AfS	128	128	0	0	0	128
Loans and receivables	LaR	95,859	94,548	0	0	0	94,548
Assets at fair value through profit and loss	FVtPL	4,582	0	4,582	0	0	4,582
Other financial liabilities	oL	319,162	318,374	0	0	0	318,374
Liabilities at fair value through profit and loss	FVtPL	7,723	0	7,723	0	0	7,723

Fair value measurement
Fair value is not always available as a market value, which often necessitates a determination based on various measurement parameters. Depending on the availability of observable parameters and the relevance of these parameters for determining fair value as a whole, fair value is assigned to Level 1, 2 or 3. Assignment to these levels is effected under consideration of the following factors:

– Level 1 parameters: Here, the market value of assets and liabilities is calculated based on quoted, unadjusted prices like those that arise for similar or identical assets and liabilities in active markets.
– Level 2 parameters: Here, the market value of assets and liabilities is calculated on the basis of parameters for which either directly or indirectly quoted prices are also made available to an active market.
– Level 3 parameters: Here, the market value of assets and liabilities is calculated on the basis of parameters for which there are no observable market data.

a) Fair value of financial assets and liabilities that are regularly measured at fair value according to valuation hierarchies
In the 2013 financial year, some of the financial assets and liabilities of CGM Group were regularly measured at fair value as of the balance sheet date. The table below shows the assignment of the fair value of these assets and liabilities to Levels 1, 2 or 3.

Assessed valuation hierarchies at fair value – financial instruments	31.12.2013 EUR '000	Level 1 EUR '000	Level 2 EUR '000	Level 3 EUR '000
Financial assets at fair value through profit and loss	**6,220**	**165**	**0**	**6,056**
thereof securities	165	165	0	0
thereof stock options held for trading	6,056	0	0	6,056
Financial assets at fair value without through equity	**0**	**0**	**0**	**0**
Total	**6,220**	**165**	**0**	**6,056**
Liabilities at fair value through profit and loss	**0**	**0**	**0**	**0**
Liabilities at fair value through equity	**7,852**	**0**	**7,852**	**0**
thereof interest rate swaps	7,852	0	7,852	0
Total	**7,852**	**0**	**7,852**	**0**

CGM Group's financial assets and liabilities, which were to be regularly measured at fair value on 31 December 2012 for the previous year's period, are presented as follows by assigning their fair values to Levels 1, 2 or 3:

Financial instruments – valuation hierarchies measured at fair value	31.12.2012 EUR '000	Level 1 EUR '000	Level 2 EUR '000	Level 3 EUR '000
Assets at fair value through profit and loss	**4,582**	**165**	**0**	**4,417**
of which securities	165	165	0	0
of which stock options held for trading	4,417	0	0	4,417
Assets at fair value through equity	**0**	**0**	**0**	**0**
Total	**4,582**	**165**	**0**	**4,417**
Liabilities at fair value through profit and loss	**7,723**	**0**	**0**	**7,723**
Liabilities at fair value through equity	**12,285**	**0**	**12,285**	**0**
of which interest rate swaps – cash flow hedges	12,285	0	12,285	0
Total	**20,008**	**0**	**12,285**	**7,723**

The underlying assessment procedures and parameters used to determine the fair value are described below:

b) Financial assets and liabilities at fair value in income

1) **Securities (level 1):** The fair value of securities in the amount of EUR 165 thousand (previous year: EUR 165 thousand) is based on quoted market prices in an active market at the balance sheet date. Significant unobservable input parameters are not available which is why there is no ratio of unobservable input parameters to the fair value of the securities.

2) **Stock options – held for trading (level 3):** This pertains to CGM AG's existing call options to acquire 90 percent of the shares in KoCo Connector AG at a fixed price (strike price) in the amount of EUR 45 thousand (for more Information on the relationship between CGM AG and KoCo Connector AG, please refer to the "Changes in the Group" section). The call options can be exercised at any time until 31 December 2016 whereby the writers are granted a right of refusal. The granted call option is a financial instrument under IAS 39.9. The value of call options depends on several variables. Among other things, it varies depending on KoCo Connector AG's enterprise value, the company's EBITDA and the fair value of the loan granted to KoCo Connector AG. The call options' fair value results from two possible scenarios (Scenario 1 and 2):

   - Scenario 1 "Transfer of shares from KoCo Connector AG to CGM AG" and
   - Scenario 2 "Writer exercises right of refusal"

   The fair value of the call option in the amount of EUR 6,056 thousand (previous year: EUR 4,417 thousand) is calculated as the equally weighted value from Scenario 1 "Transfer of shares from KoCo Connector AG to CGM AG" and Scenario 2 "Writer exercises right of refusal".

   The fair value was determined on the basis of business plans using the DCF method (enterprise approach). Reachable potential customers, the date on which the individual phases ("testing phase", "roll-out phase", "replacement phase" and "maintenance phase") commence and the underlying cost structure (cost of materials and operational costs) constitute material unobservable input parameters for the business plans. In addition, the amount of loans granted by CompuGroup Medical to KoCo Connector AG on the relevant valuation date constitutes a significant input parameter. A discount rate of 11.4 percent (previous year: 10.9 percent) was applied for calculating the value of the option.

   The relationship of the unobservable input parameters at their fair value can be described as follows: The more customers that can be acquired in the imputed phases (especially the "roll-out phase") of the underlying business plans, the higher the fair value of the call option provided that the status of the loans granted by CompuGroup Medical to KoCo Connector AG has not disproportionately increased in relation to it. Fluctuations can also arise due to changes in the parameters (e.g. the discount rate).

3) **Purchase price liability UCF.** The purchase price liability of UCF Holding S.a.r.l. Luxembourg, which was reported at fair value under Level 3 of the fair value hierarchy on 31 December 2012, was paid during the 2013 financial year.

4) **Interest rate swaps – cash flow hedges (Level 2):** The interest rate swaps – cash flow hedges (2013: EUR 7,852 thousand; previous year: EUR 12,285 thousand) represent the negative market values of interest rate hedges (interest rate swaps), measured at fair value based on the mark-to-market method. The fair value is the present value of future cash flows based on observable yield curves. Derivative financial instruments are used to hedge against the effects of interest rate fluctuations. Thus, the variable interest rates of the term and multi-currency revolving loan facility were determined using interest rate swaps. The interest rate swaps (hedging transactions) were designated in a cash flow hedge under the term and multi-currency revolving loan facility (underlying transactions) and are based entirely on long-term contracts. The nominal value of interest rate swaps in hedge accounting amounted to EUR 250 million on 31 December 2013 and thus remained unchanged from last year. On 31 December 2013, the fixed interest rates ranged from 1.83 percent to 2.07 percent (unchanged from previous year), the variable interest rate was the 3-month EURIBOR.

The fair value of Level 3 instruments in the reporting period is presented in the following table:

	Stock options held for trade 31.12.2013 EUR '000	Purchase price liabilities UCF 31.12.2013 EUR '000
Opening balance as at 1 January	**4,417**	**7,723**
Total gains or losses:		
– recognized in profit or loss	1,639	1,077
– recognized in other comprehensive income	0	0
Purchases	0	0
Issues	0	0
Disposals/settlements	0	-8,800
Transfers out of level 3	0	0
Ending balance as at 31 December	**6,056**	**0**

The reconciliation of the financial instruments included in Level 3 as at 31 December 2012 is as follows:

	Stock options held for trade 31.12.2012 EUR '000	Purchase price liabilities UCF 31.12.2012 EUR '000
Opening balance as at 1 January	**0**	**-5,141**
Total gains or losses:		
– recognized in profit or loss	4,417	-2,582
– recognized in other comprehensive income	0	0
Purchases	0	0
Issues	0	0
Disposals/settlements	0	0
Transfers out of level 3	0	0
Ending balance as at 31 December	**4,417**	**-7,723**

There were no transfers between individual levels of the hierarchy pursuant to IFRS 7 during the financial year.

c) Distribution by valuation hierarchies of financial assets and liabilities that are not regularly measured at fair value

The financial assets and liabilities that are not regularly measured at fair value as at 31 December 2013 are as follows:

	31.12.2013 EUR '000	Level 1 EUR '000	Level 2 EUR '000	Level 3 EUR '000
Fair value of financial assets valuated at (continued) acquisition costs				
Trade receivables	57,978	0	57,978	0
Receivables from construction contracts (PoC)	10,387	0	10,387	0
Other receivables	4,456	0	2,365	2,091
Finance lease receivables	14,708	0	14,708	0
Other financial assets	130	0	0	130
Total	**87,659**	**0**	**85,438**	**2,222**
Fair value of financial liabilities valuated at (continued) acquisition costs				
Liabilities to banks	322,840	0	0	322,840
Purchase price liabilities	11,966	0	0	11,966
Trade payables	22,902	0	22,902	0
Other financial liabilities	6,184	0	6,094	89
Financial lease obligations	1,275	0	1,275	0
Total	**365,167**	**0**	**30,271**	**334,896**

The financial assets and liabilities that are not regularly measured at fair value as at 31 December 2012 are as follows:

	31.12.2012	Level 1	Level 2	Level 3
Fair value of financial liabilities measured at amortized cost				
Trade receivables	53,238	0	53,238	0
Receivables from construction contracts (PoC)	9,272	0	9,272	0
Other receivables	13,085	0	2,793	10,292
Finance lease receivables	17,194	0	17,194	0
Other financial assets	128	0	0	128
Total	**92,917**	**0**	**82,497**	**10,420**
Fair value of financial liabilities measured at amortized cost				
Liabilities to banks	269,313	0	0	269,313
Purchase price liabilities	21,917	0	0	21,917
Trade payables	17,428	0	17,428	0
Other financial liabilities	10,504	0	9,373	1,131
Financial lease obligations	2,362	0	2,362	0
Total	**321,524**	**0**	**29,163**	**292,361**

The fair values of financial assets and liabilities listed above in Levels 2 and 3 are determined in accordance with generally accepted measurement methods based on discounted cash flow analyses. Here, a discount rate is applied taking into account the counterparties' risk of default as an essential input parameter.

Write-downs of financial assets

There were no impairment of financial assets during the reporting period. With regard to the impairment of trade receivables and financial assets, please refer to the respective valuation allowance schedule.

Net profits and losses on financial assets and liabilities

	2013 EUR '000	2012 EUR '000
Net profit/loss from currency conversion differences (LaR)	-8,063	-746
Changes in fair value of financial assets held for trading (FVtPL)	1,639	4,417
Net profit/loss from purchase price liabilities (oL)	-1,152	-1,682
Total	**-7,576**	**1,989**

The changes in fair value of financial assets held for trading are included in financial income and financial expenses. The net gain/loss from the foreign currency translation is recognized according to the origin in other income and other expenses or financial income and financial expenses.

Furthermore, allowances for doubtful accounts are stated under other operating expenses in the amount of EUR 1,596, which are included as instruments of the category loans and receivables (LaR). With respect to trade receivables, please see the valuation adjustment schedule.

Credit risk

The financial assets of the Group primarily comprise bank deposits, trade receivables, other receivables and securities that represent the maximum default risk to the Company from credit risk to financial assets. The default risk to the Group results primarily from trade receivables. The amounts indicated in the balance sheet are understood to include a valuation adjustment for receivables that probably cannot be collected, reflecting the senior management's judgment based on previous experience and the current economic environment. In addition, the age of the receivables can be classified as non-doubtful (see trade receivables).

The default risk to liquid assets is limited because these are held at banks which were assigned a high credit rating by rating agencies.

CGM Group does not have any significant concentration of default risks because these risks are distributed across a large number of contractual parties and customers.

The loss of major customers in the hospitals and pharmaceuticals business can have a detrimental effect on the Group's liquidity. The tender and tendering procedures for major customers and project business are closely monitored to detect and address changes in the market.

The maximum credit risk from financial assets available for sale at the reporting date corresponds to the carrying value of all investments under 20 percent that are classified as available for sale.

The maximum credit risk of securities and stock options held for trading at the balance sheet date is the fair value of the instrument in the balance sheet.

The maximum exposure to credit risk from trade and other receivables and leasing receivables at the balance sheet date is the carrying amount of these receivables. The Group has received no guarantees.

Currency risk

Fluctuating exchange rates influence the market success and gross revenues of exporting companies. In 2013, about 72 percent of revenue was generated in euros (previous year: 79 percent) and around 28 percent of revenue in other currencies (previous year: 21 percent). During the year, hedges of possible risks were effectuated in the form of forward exchange contracts based on exchange rate fluctuations. All such instruments are completely expired as of the balance sheet date.

The book value of Group monetary assets and liabilities denominated in a foreign currency is as follows:

Carrying amount of monetary assets and liabilities in foreign currencies	Liabilities		Assets	
	31.12.2013 EUR '000	31.12.2012 EUR '000	31.12.2013 EUR '000	31.12.2012 EUR '000
US DOLLAR	1,897	1,915	5,452	8,195
NORWEGIAN CROWNS	556	782	785	4,493
SWEDISH CROWNS	1,200	1,073	8,769	8,612
POLISH ZLOTY	1,315	965	6,437	6,114
NEW LIRA TURKEY	297	285	4,155	5,249
CZECH CROWNS	484	685	3,475	3,009
FRANC SWITZERLAND	282	518	2,409	1,528
DANISH CROWNS	67	134	712	654
MALAYSIAN RINGGIT	56	81	672	635
CANADIAN DOLLAR	1	2	122	131
SOUTH AFRICAN RAND	11	11	69	65

a) Sensitivity analysis: impact on net income in the case of a 10 percent rise or fall of the euro against the respective foreign currency:
The following table details the Group's sensitivity to a 10 percent rise or fall in the euro against the respective foreign currency. The adoption of the 10 percent change represents management's best estimate regarding a possible change of exchange rate from a rational perspective. The sensitivity analysis includes only outstanding monetary items denominated in foreign currency adjusting their conversion based on a 10 percent change in exchange rates.

	Currency impact net income					
	31.12.2013			31.12.2012		
Sensitivity analysis	Net income	+10 percent	-10 percent	Net income	+10 percent	-10 percent
US DOLLAR	-11,733	-12,906	-10,559	-1,503	-1,653	-1,353
NORWEGIAN CROWNS	7,289	8,018	6,560	7,278	8,006	6,550
SWEDISH CROWNS	3,052	3,357	2,746	6,895	7,584	6,205
POLISH ZLOTY	1,100	1,210	990	992	1,091	893
NEW LIRA TURKEY	-3,038	-3,341	-2,734	-1,091	-1,200	-982
CZECH CROWNS	1,991	2,190	1,792	2,157	2,373	1,942
FRANC SWITZERLAND	-370	-407	-333	-918	-1,009	-826
DANISH CROWNS	1,093	1,202	984	1,479	1,627	1,331
MALAYSIAN RINGGIT	-233	-257	-210	-1,018	-1,120	-916
CANADIAN DOLLAR	2	2	2	-1	-1	-1
SOUTH AFRICAN RAND	-643	-707	-579	-351	-386	-316

b) Sensitivity analysis: impact on equity in the case of a 10 percent rise or fall of the euro against the respective foreign currency

Currency impact equity

	31.12.2013			31.12.2012		
Sensitivity analysis	Equity	+10 percent	-10 percent	Equity	+10 percent	-10 percent
US DOLLAR	14,926	16,419	13,434	27,898	30,998	25,362
NORWEGIAN CROWNS	26,930	29,623	24,237	20,621	22,912	18,746
SWEDISH CROWNS	15,725	17,297	14,152	16,649	18,314	14,984
POLISH ZLOTY	5,312	5,844	4,781	4,284	4,713	3,856
NEW LIRA TURKEY	-485	-534	-437	2,648	2,913	2,383
CZECH CROWNS	3,807	4,188	3,427	4,041	4,445	3,637
FRANC SWITZERLAND	676	743	608	634	697	570
DANISH CROWNS	2,769	3,046	2,492	3,025	3,328	2,723
MALAYSIAN RINGGIT	-3,815	-4,196	-3,433	-4,118	-4,529	-3,706
CANADIAN DOLLAR	109	119	98	119	131	107
SOUTH AFRICAN RAND	-1,073	-1,180	-966	-658	-724	-593

In light of the highly scalable nature of revenue and general business activity of the CGM Group, management considers the sensitivity analysis to be an effective method for discerning currency risks.

Interest rate risk
CGM Group's interest rate risk arises from long-term loans with variable interest rates. During the financial year, it was completely absorbed by interest rate transactions. Liabilities to credit institutions as of 31 December 2013 totaled EUR 321.6 million. The impact of interest rate fluctuations on interest rate swaps that are designated in cash flow hedges, are explained in more detail in the following. Borrowings that bear fixed interest rates are excluded from this analysis.

If market interest rates on 31 December 2013 had been 100 basis points higher or lower, other comprehensive income would have been EUR 4,911 thousand higher or EUR 3,896 thousand lower. There was no effect on the net result as the interest rate transactions are designated as completely effective hedges.

Expected future interest payments to be made by CGM Group are shown below:

	Book value 31.12.2013 EUR '000	Interest payments 2014 EUR '000	Interest payments 2015 EUR '000	Interest payments until 2018 EUR '000	Interest payments after 2018 EUR '000
Liabilities to banks	321,623	8,302	7,169	1,199	718
Finance lease obligations	1,200	70	65	166	177
Other financial debt	6,184	9	13	1	0
Trade payables	22,902	0	0	0	0
Purchase price liabilities	11,966	0	0	0	0
Derivative financial liabilities in hedge accounting	7,852	4,122	3,730	0	0
Derivative financial liabilities not in hedge accounting	0	0	0	0	0

	Book value 31.12.2012 EUR '000	Interest payments 2013 EUR '000	Interest payments 2014 EUR '000	Interest payments until 2017 EUR '000	Interest payments after 2017 EUR '000
Liabilities to banks	269,312	7,160	6,896	7,995	897
Finance lease obligations	2,362	91	70	181	227
Other financial debt	12,129	10	9	13	1
Trade payables	17,429	0	0	0	0
Purchase price liabilities	29,640	0	0	0	0
Derivative financial liabilities in hedge accounting	12,285	4,433	4,122	3,730	0
Derivative financial liabilities not in hedge accounting	0	0	0	0	0

Due to the amount of the interest swaps to hedge cash flows (Hedge Accounting) in relation to the structure of variable-rate loans, an interest rate sensitivity analysis in which the variable interest (here 3-month Euribor) to + 100bp/-100bp is changed results in only minor effects on the CGM Group to the effective hedging of the interest payments.

Liquidity risk
To ensure that financial obligations can be complied with throughout the Group, CGM AG has negotiated adequate syndicated loans and overdraft facilities.

Liquidity risk differs between the countries in which CGM operates. Companies operating in Germany usually receive revenue from customers via direct debit agreements, whereby liquidity risk is minimized. The same goes for companies that operate in countries where direct debit is the predominant payment method (e.g. Austria, Norway, Sweden and France).

Parts of the Group cooperate in cash pooling arrangements. These agreements provide a needs-based cash management that ensures sufficient liquidity to individual companies to meet their operational needs. Control of the cash pooling is handled centrally through the Group's headquarters in Koblenz. For those operating entities that do not participate in cash pooling arrangements, control of cash holdings is accomplished through short and medium-term cash planning methods.

Group companies exceeding the level of working capital requirements usually have their cash transferred to the cash management department on a quarterly basis.

CGM considers any limitation on debt and capital absorption capacity a liquidity risk. Restrictions place a significant risk on the achievement of corporate goals and affect overall financial flexibility.

CGM understands liquidity risk management as performing regular risk analysis involving the use of financial instruments to ensure that potential risks can be adequately addressed.

The following tables show CGM Group's remaining contractual maturities of financial liabilities, including derivative financial instruments. The tables examine the undiscounted cash flows of financial liabilities including both interest and principal payments. To the extent that interest payments are based on variable parameters, the undiscounted amount was determined on the basis of yield curves at the end of the reporting period. The contractual maturities are based on the earliest date on which the Group can be required to pay:

Expected future payments as of 31 December 2013:

Future payments not discounted	Book value 31.12.2013 EUR '000	Payments 2014 EUR '000	Payments 2015 EUR '000	Payments until 2018 EUR '000	Payments after 2018 EUR '000
Liabilities to banks	321,623	51,782	269,266	3,094	14,869
Finance lease obligations	1,200	140	155	267	1,117
Other financial debt	7,383	5,522	0	15	1,846
Trade payables	22,902	22,902	0	0	0
Purchase price liabilities	11,967	9,394	10	1,610	953
Derivative financial liabilities in hedge accounting	7,852	4,122	3,730	0	0
Derivative financial liabilities not in hedge accounting	0	0	0	0	0

Expected future payments as of 31 December 2012:

Future payments not discounted	Book value 31.12.2012 EUR '000	Payments 2013 EUR '000	Payments 2014 EUR '000	Payments until 2017 EUR '000	Payments after 2017 EUR '000
Liabilities to banks	269,312	47,659	221,244	8,824	8,520
Finance lease obligations	2,362	482	140	256	2,054
Other financial debt	12,129	9,336	235	233	3,095
Trade payables	17,428	17,428	0	0	0
Purchase price liabilities	29,640	29,038	602	0	0
Derivative financial liabilities in hedge accounting	12,285	4,433	4,122	3,730	0
Derivative financial liabilities not in hedge accounting	0	0	0	0	0

Operating leases, other financial obligations and contingent liabilities

a) Payments stemming from operating leases recognized in the income statement

Payments stemming from operating leases are recognized in the income statement as follows:

	2013 EUR '000	2012 EUR '000
Minimum lease payments	10,404	8,440
Contingent rentals	0	0
Sub-lease payments received	662	410
Total	**9,742**	**8,030**

Operating lease payments that are recognized in other expenses primarily relate to the rental and lease agreements concluded for office and training facilities, office equipment and motor vehicles. Contingent payments (lease payments that are not fixed in amount but depend on factors other than the passage of time (e.g. price indices, market interest rates) were not used. Payments received from sub-lease arrangements mainly stem from the sub-leasing of office and training facilities as well as motor vehicles. Operating and leasing contracts are recognized as expenses in the income statement on a pro rata basis.

b) Leased assets (operating leases)

Operating lease – CGM as lessor	31.12.2013 TEUR	31.12.2012 TEUR
Minimum leasing income		
< 1 year	662	410
1 – 5 years	18	18
> 5 years	0	0
Total	**680**	**428**

Revenue from the lease of assets under operating leases results primarily from the leasing of office, warehouse and training facilities. Other income from operating leases results from the renting out of workshop premises at the Company headquarters in Koblenz and the rental of vehicle parking lots. Almost all contracts concluded are due within one year.

c) Open commitments from operating leases that cannot be canceled

On the balance sheet date, the Group's open commitments from operating leases that cannot be canceled, matured as follows:

	Rental and lease agreements for a plant or administration building		Carpool leasing		Other leasing contracts		Total	
Operating Lease	31.12.2013 EUR '000	31.12.2012 EUR '000	31.12.2013 EUR '000	31.12.2012 EUR '000	31.12.2013 EUR '000	31.12.2012 EUR '000	31.12.2013 EUR '000	31.12.2012 EUR '000
< 1 year	7,180	5,931	3,179	3,161	659	225	11,018	9,317
1 – 5 years	16,491	14,646	4,070	2,806	261	206	20,822	17,658
> 5 years	6,588	8,668	0	0	60	125	6,648	8,793
Total	**30,259**	**29,245**	**7,249**	**5,967**	**980**	**556**	**38,488**	**35,768**

Leases are concluded for on average term of three years. The rents are fixed for three to six years. CGM Group did not enter into any off-balance sheet transactions in the form of capital commitments.

Contingent liabilities
The following table provides information on the existing contingent liabilities of CGM Group:

	Maximum liability		Liability reserves	
	31.12.2013 EUR '000	31.12.2013 EUR '000	31.12.2012 EUR '000	31.12.2013 EUR '000
Guarantees for down payments	0	0	0	0
Guarantees for warranties and contract execution	6,355	4,438	974	1,009
Pledges	8	0	0	0
Credit mandates	0	0	0	0
Guarantees for payment of residual values	0	0	0	0
Other liability risks	333	37	13	0
Total	**6,696**	**4,475**	**987**	**1,009**

Our operating activities did not include any large-scale purchase commitments. As part of a project contract concluded in November 2008 with the Vienna Hospital Group (KAV), Systema HIS GmbH, Austria, gave a performance guarantee of EUR 3.6 million to KAV. Furthermore, the company has deposited EUR 23 thousand with the landlord for renting office space and a computer center in St. Pölten.

Disclosures on related parties
During the financial year, Group companies entered into the following transactions with related parties outside the consolidated group. In addition, the following balances were outstanding at the end of the reporting period:

	Sale of goods		Purchase of goods		Receivables		Liabilities	
	2013 EUR '000	2012 EUR '000	2013 EUR '000	2012 EUR '000	31.12.2013 EUR '000	31.12.2012 EUR '000	31.12.2013 EUR '000	31.12.2012 EUR '000
Related persons	**69**	**14**	**154**	**136**	**11**	**2**	**0**	**0**
thereof								
Frank Gotthardt	49	14	12	0	5	2	0	0
Dr. Brigitte Gotthardt	13	0	0	0	1	0	0	0
Dr. Daniel Gotthardt	7	0	30	0	5	0	0	0
Prof. Dr. Rolf Hinz	0	0	112	136	0	0	0	0
Related companies	**3,040**	**1,440**	**4,297**	**1,719**	**987**	**455**	**389**	**111**
thereof								
Gotthardt Informationssysteme GmbH	1,246	358	3,512	1,157	571	190	277	87
INFOSOFT Informations- und Dokumentationssysteme GmbH	17	29	143	108	2	-3	0	4
mps public solution GmbH	788	656	33	212	261	172	15	2
mps software & systems GmbH	0	313	0	5	0	0	0	0
KEC Kölner Eishockey-Gesellschaft "Die Haie" mbH	81	30	233	0	0	38	37	1
GTS Praxisshop GmbH	786	54	376	236	153	59	60	18
Lorensbergs Ltd	121	0	0	0	0	0	0	0
Associated companies	**37**	**23**	**29**	**471**	**45**	**0**	**35**	**0**
thereof								
mediaface GmbH	0	0	0	439	0	0	0	0
AxiService Nice S.a.r.l.	18	6	11	20	22	0	13	0
Technosante Nord-Picardie SAS	19	18	18	12	23	0	22	0
Total	**3,147**	**1,477**	**4,480**	**2,326**	**1,043**	**457**	**424**	**111**

Related persons
Among the Group's transactions with related parties, a significant part of supplies and services received and other expenses pertain to Zahnärztlicher Fach-Verlag GmbH, in which Supervisory Board member Prof. Dr. Rolf Hinz holds the position of managing director. In 2012 and 2013, Zahnärztlicher Fach-Verlag GmbH handled the layout and print of a customer magazine on behalf of CGM.

Frank Gotthardt holds direct and indirect interests of 35.91 percent (previous year: 35.99 percent) in CompuGroup Medical AG through GT 1 Asset Management GmbH. From his membership in two pools from the 2007 financial year with terms until 31 December 2015, Frank Gotthardt's voting rights in the pools are tied to the shares of the other pool members. Combined with these voting rights, Frank Gotthardt's share of voting right shares in CGM AG amounts to more than 45 percent since the 2007 financial year. The shareholder group Gotthardt family/Dr. Koop holds more than 50 percent of the voting shares overall.

As a result, all of the associated companies listed in the report on equity investments are associated with CompuGroup Medical AG where a corporate relationship exists with Frank or Dr. Daniel Gotthardt.

Through a notarized purchase agreement dated 2 January 2012, CompuGroup Medical Deutschland AG acquired from Frank Gotthardt a plot with an office building which had previously been rented under a long term contract. The Supervisory Board approved the transaction in December 2011. The purchase price was determined through an appraisal of its market value on 28 November 2011. The purchase price amounted to EUR 6.1 million.

Related companies
A major portion of business activities were conducted with Gotthardt Informationssysteme GmbH. In addition to handling client service for large parts of our German corporate divisions, this company also maintains and equips our office spaces with copiers and consumables. Moreover, Gotthardt Informationssysteme GmbH also provides software maintenance services for the MediStar business segment.
In addition, there are receivables from current leases.

mps public solution GmbH handles maintenance and services for CGM Systema Deutschland GmbH in the amount of EUR 680 thousand (out of a total of EUR 788 thousand).

Other material activities relate to purchasing groups and further calculations of the cost of materials provided by GTS Praxisshop GmbH through CGM Dentalsysteme GmbH amounting to EUR 675 thousand (out of EUR 786 thousand in total). In turn, CGM AG procured office supplies in the current financial year in the amount of EUR 376 thousand.

Declaration of compliance with the German Corporate Governance Codex
The declaration of compliance required by Section 161 AktG was issued by the Management Board and the Supervisory Board and is publicly accessible on the Company's website (www.cgm.com).

Auditing fees according to Section 314 (1) No. 9 HGB
The following table depicts the total fees payable, including expenses and all incidental expenses of PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, for the 2013 financial year.

The "annual financial statement" item includes the fees for auditing the single-entity financial statements, the consolidated statements and the dependent Company report of CompuGroup Medical Aktiengesellschaft, as well as the fees for auditing various subsidiaries.

	2013 EUR '000	2012 EUR '000
Auditing financial statements	437	411
Other confirmatory services	11	11
Tax advisory	71	43
other services	282	23
Total	**801**	**488**

The auditing fees include expenses in the amount of EUR 122 thousand (previous year: EUR 80 thousand) that were not booked during the reporting period in question.

Significant post balance sheet events

Acquisition of the vision4health Group

In January 2014, CompuGroup Medical Lab International GmbH, a wholly-owned subsidiary of CompuGroup Medical AG, acquired all material assets and shares of vision4health Group with operations in Germany, Switzerland, Belgium and France. With more than 200 installations in Europe, vision4health is one of the leading suppliers of laboratory information systems with some of the largest and most prestigious hospitals and private laboratory groups as reference customers.

The product suite of vision4Health consists of the proven and market-established 'molis' laboratory information system which supports all relevant laboratory disciplines such as biochemistry and hematology, microbiology, histopathology, blood bank administration and transfusion/ transplantation medicine. Significant investments have been made over the last years to develop a new product generation named 'molis vt' based on the latest technology and most innovative work process models. Supplementary to this, the diagnostic portal 'molis vt channel' supports electronic ordering and results, paperless request for information and findings as well as other value-added services between healthcare providers and laboratory services. The molis vt channel is one of the corner stones of Diagnostic Wide Area Networks connecting doctors' offices, medical centers, wards, outpatient departments and laboratories.

The preliminary total turnover of the vision4health group was in 2013 approximately 13,393 million Euros with an EBITDA of approximately EUR 79 thousand. The purchase price amounted to EUR 23,551 thousand was paid fully in cash,

Acquired assets	Financial statement vision4health Group 31.12.2013 EUR '000	Purchase price allocation 31.12.2013 EUR '000	Effect on consolidated statement of financial position 31.12.2013 EUR '000
Non-current assets			
Intangible assets	3	22,697	22,700
Goodwill	0	8,597	8,597
Software	3	5,825	5,828
Customer relationships	0	9,272	9,272
Order backlog	0	229	229
Brands	0	2,434	2,434
Property, plant and equipment	102	0	102
Deferred taxes	16	0	16
	123	**26,358**	**26,479**
Current assets			
Inventories	228	0	228
Trade receivables	6,212	0	6,212
Other financial assets	89	0	89
Other non-financial assets	121	0	121
Cash and cash equivalents	160	0	160
	6,810	**0**	**6,810**
Total acquired assets	**6,933**	**26,358**	**33,289**

Liabilities assumed	Financial statement vision4health Group 31.12.2013 EUR '000	Purchase price allocation 31.12.2013 EUR '000	Effect on consolidated statement of financial position 31.12.2013 EUR '000
Non-current liablities			
Deferred taxes	0	5,223	5,223
	0	**5,223**	**5,223**
Current liabilities			
Liabilities to banks	94	0	94
Trade payables	617	0	617
Income tax liabilities	247	0	247
Other provisions	305	0	305
Purchase price liabilities	0	0	0
Other financial liabilities	894	0	894
Other non-financial liabilities	2,350	0	2,350
	4,508	**0**	**4,508**
Total assumed liabilities	**4,508**	**5,223**	**9,731**

The consolidation of vision4health group began 06 January 2014.

From this acquisition, CGM expects to be able to significantly expand its laboratory information business in Germany, Switzerland, Belgium and France by offering innovative software products as well as services. Synergies are expected through the gain of know-how and through cost efficiency opportunities. The provisional goodwill value of EUR 8,597 thousand results from the synergies within the Group as a result of the inclusion of vision4health group in CGM. It is not expected that the recognized goodwill will be deductible for tax purposes.

The provisional fair value of the acquired intangible assets excluding goodwill amounts to EUR 17,761 thousand.

The initial accounting for the acquisition of vision4health group as at 6 January 2013 was carried out in preliminary form. The analysis of the acquired order backlog as well as the valuation of the acquired customer relationships, software and trademark rights is not yet completed due to some not yet fully received or evaluated information. The estimated fair values represent the best estimate of management at the date of approval of the consolidated financial statements by the Supervisory Board.

Management Board and Supervisory Board

Surname	Name	Occupation held/membership in supervisory board and other controlling bodies
Management Board		
Gotthardt	Frank (Chairman)	Chief Executive Officer Chairman of the Supervisory Board of RheinMassiv Verwaltungs AG Chairman of the Supervisory Board of CompuGroup Medical Deutschland AG Member of the Supervisory Board of amedes Holding AG Chairman of the Supervisory Board of CompuGroup Medical Polska Sp.z.o.o.
Teig	Christian B.	Chief Financial Officer Human Ressources Member of the Supervisory Board of CompuGroup Medical Deutschland AG
Eibich	Uwe	Executive Vice-President Central Europe
Aufsichtsrat		
Steffens	Prof. Dr. Klaus (Chairman)	Independent Consultant Member of the Supervisory Board of MTU Aero Engines Holding AG Member of the Advisory Board of Poppe + Potthoff GmbH Chairman of the Advisory Board of Tital Holding GmbH & Co. KG
Esser	Dr. Klaus (deputy Chairman)	Managing Director, General Atlantic GmbH Chairman of the Supervisory Board of amedes Holding AG Managing Director, Klaus Esser GmbH & Co. KG
Hinz	Prof. Dr. Rolf	Orthodontist in private practice Chairman of the Supervisory Board of Stadtmarketing Herne GmbH
Gotthardt	Dr. Daniel	Doctor, Universitätsklinikum Heidelberg
Lange	Mathias (Employee-representative)	Human Resources Assistant, CompuGroup Medical AG
Glass	Ralf (Employee-representative)	Commercial clerk, CompuGroup Medical AG Member of the Supervisory Board of CompuGroup Medical Deutschland AG Member of the Supervisory Board of CompuGroup Medical Polska Sp.z.o.o.

The total remuneration of the Management Board and Supervisory Board is as follows:

	2013 EUR '000	2012 EUR '000
Management Board		
Fixed compensation	1,230	1,025
Variable compensation	911	2,020
Fringe benefits	73	34
	2,214	**3,079**
Supervisory Board	**260**	**260**
	2,474	**3,339**

Remuneration of the Management Board

The total remuneration of Management Board members is comprised of fixed and variable performance-related components. Criteria for determining the appropriateness of remuneration are the duties of each member, their personal performance and the Company's financial situation. In addition, the Company's success and future outlook amidst relevant comparisons are important criteria in determining remuneration. The components of fixed remuneration are fixed salary and fringe benefits while performance-based remuneration components consist of variable bonus payments.

Fixed salary, basic, non-performance-related remuneration, is paid monthly. In addition, members of the Management Board receive additional benefits in the form of benefits in kind, consisting mainly of the use of company cars. The use of company cars is taxed as a result of its designation as a remuneration component for the respective Management Board member.

Variable remuneration, which is linked to the achievement of a previously agreed target, is determined for each individual member of the Management Board including targets that are measured over a period of several years. For all members of the Management Board, the multi-annual period goals assume organic growth and are based on EBITA. The (quantitative and qualitative) goals and their weighting provide the basis for the bonus scheme and are in line with sustainable corporate management pursuant to Section 87 AktG.

No loans were granted to members of the Management Board during the financial year. The amount of performance-related remuneration is linked to individually agreed goals. During the financial year, no member of the Management Board received payments or benefits from third parties in respect of their duties as members of the Management Board. No pension commitments were made to any members of the Management Board.

On 14 December 2011, the Supervisory Board of CompuGroup Medical AG appointed Christian B. Teig for a second four-year term starting 1 October 2012 and ending 30 September 2016 to the Management Board as CFO. In addition to annual fixed remuneration in the amount of EUR 300,000, Christian B. Teig has been promised a performance fee of up to EUR 300,000 per year composed of two equally weighted components, each with a maximum of EUR 150,000 per year. The first performance-based remuneration component is linked to the achievement of individually defined performance targets for the financial year which are agreed annually. The second performance-based compensation component is based on average EBITA and average organic growth in the financial year and the previous period. As a non-performance-related benefit, Christian B. Teig is provided with a company car whose net acquisition price amounts to a maximum of EUR 120,000. At the same Supervisory Board meeting, the exercise period for Christian B. Teig's 375,000 share options at an exercise price of EUR 5.50 per share was extended to 31 December 2016. The stock options may be exercised without any further conditions at any time before this date (American options). If Christian B. Teig were to fall ill during the contract period or become permanently disabled, the service contract would terminate six months after determination of his incapacity to work. In the event of termination by the Company, Christian B. Teig would receive a severance payment in the amount of up to EUR 1,200,000 or the amount of the total remuneration that would have been payable for the remaining term of the employment contract after early termination. The employment contract also includes a change of control clause according to which Christian B. Teig is entitled to resign in the event of a change of control within one month at the end of the month and receive the aforementioned severance payment in full.

On 7 March 2012, the Supervisory Board of CompuGroup Medical AG appointed Uwe Eibich for an additional four-year term from 1 January 2013 to 31 December 2016 as member of the Management Board and Executive Vice President for Central Europe. In addition to annual fixed remuneration of EUR 300,000, Uwe Eibich has been promised a performance fee of up to EUR 200,000 per year. The performance-related component of remuneration depends on the achievement of individually defined performance targets for the financial year which are agreed annually. Furthermore, Uwe Eibich has been promised a performance-based remuneration of up to EUR 400,000 which is staggered over the duration of the contract. The second performance-based remuneration component is correlated to the average organic growth in the region "Central Europe – CER" over the period of appointment, which must be at least 4 percent. If average organic growth reaches 12 percent, it is considered equal to a target achievement of 100 percent. As a non-performance benefit, Uwe Eibich will be provided with a company car whose net acquisition price amounts to a maximum of EUR 120,000. If Uwe Eibich were to be permanently incapacitated or pass away during the contract period, the fixed annual salary and the variable portion of his compensation will be paid for a period of three months (death benefits will be paid to surviving dependents). In the event of termination by the Company, Uwe Eibich will receive a severance payment equal to the pro rata amount of his total remuneration until the end of his term. The payment is limited to a maximum amount of EUR 600,000.

On 14 December 2012, the Supervisory Board of CompuGroup Medical AG appointed Frank Gotthardt as Chief Executive Officer (CEO) for an additional term of 4.5 years from 1 July 2013 to 31 December 2017. In addition to an annual fixed remuneration of EUR 660,000, Frank Gotthardt has been promised a performance fee linked to average EBITA and average organic growth in the financial year and the following two years. Because the contract term expires at the end of 2017, the period of averaging is reduced beginning in the 2016 financial year. In the last year of his term in office (2017 financial year), the amount of bonus will also depend on the level of recurring revenue which must be higher in the 2018 financial year than in the 2017 financial year. Otherwise, the bonus for the 2017 financial year will be reduced proportionally. If Frank Gotthardt were to be permanently incapacitated or pass away during the contract period, the fixed annual salary and the variable portion of compensation will be paid (death benefits will be paid to surviving dependents) for a period of three months.

Remuneration of the Supervisory Board
Supervisory Board remuneration is based on an annual fixed amount. In the past financial year, there were no changes from the previous year in the amount of remuneration for members of the Supervisory Board. Employee representatives on the Supervisory Board receive additional remuneration for activities outside the Supervisory Board which are compensated at market rates. Details on individual members have been omitted for reasons of materiality.

Release from disclosure requirement
All companies incorporated in Germany with profit transfer agreements claim the right of exception under Section 264 (3) HGB not to publish annual financial statements. This concerns the following companies:

- AESCU DATA Gesellschaft für Datenverarbeitung mbH, Winsen
- CGM SYSTEMA Deutschland GmbH, Koblenz
- CompuGroup Medical Dentalsysteme GmbH, Koblenz
- CompuGroup Medical Deutschland AG, Koblenz
- CompuGroup Medical Software GmbH, Koblenz
- IfAp Service Institut für Ärzte und Apotheker GmbH, Martinsried
- Intermedix Deutschland GmbH, Koblenz

Changes in intangible and tangible assets

in the 2013 financial year

	Purchase or manufacturing costs						
	01.01.2013 EUR '000	Initial consolidation additions EUR '000	Other additions EUR '000	Transfers EUR '000	Disposals EUR '000	Currency differences EUR '000	31.12.2013 EUR '000
Intangible assets							
Goodwill	227,273	9,660	0	0	0	-4,553	232,380
Acquired software	211,245	3,286	2,826	-55	-571	-5,143	211,588
Customer relationships	160,722	11,412	0	-4	0	-5,305	166,825
Brands	25,075	1,087	0		-2	-336	25,824
Order backlogs	8,862	0	0	0	0	-18	8,844
Prepayments on software	1,545	0	5,557	-165	-204	-338	6,395
Capitalized in-house services	45,307	4,466	10,205	165	-234	-66	59,843
	680,029	**29,911**	**18,588**	**-59**	**-1,011**	**-15,759**	**711,699**
Tangible assets							
Land and buildings	51,096	1,301	789	33	-7	-10	53,202
Other assets, plant and office equipment	35,363	432	6,079	26	-4,610	-1,018	36,272
Assets under construction	282	0	672	0	-152	2	804
	86,741	1,733	7,540	59	-4,769	-1,026	90,278
	766,770	**31,644**	**26,128**	**0**	**-5,780**	**-16,785**	**801,977**

Depreciation					Book value	
01.01.2013 EUR '000	Additions EUR '000	Disposal EUR '000	Currency differences EUR '000	31.12.2013 EUR '000	31.12.2013 EUR '000	31.12.2012 EUR '000
7,770	1,102	0	-625	8,247	224,133	219,503
151,140	14,126	-478	-4,085	160,703	50,885	60,105
33,474	8,860	0	-2,082	40,252	126,573	127,248
8,052	3,013	0	-119	10,946	14,878	17,023
4,652	2,843	0	-14	7,481	1,363	4,210
256	0	0	0	256	6,139	1,289
18,873	3,630	0	0	22,503	37,340	26,434
224,217	**33,575**	**-478**	**-6,925**	**250,389**	**461,311**	**455,812**
6,401	1,756	-7	-4	8,146	45,056	44,695
20,144	5,617	-4,100	-497	21,164	15,108	15,219
0				0	804	282
26,545	7,373	-4,107	-501	29,310	60,968	60,196
250,762	**40,948**	**-4,585**	**-7,426**	**279,699**	**522,279**	**516,008**

Changes in intangible assets and tangible assets

in the 2012 financial year

	Purchase or manufacturing costs						
	01.01.2012 EUR '000	Initial consolidation additions EUR '000	Other additions EUR '000	Transfers EUR '000	Disposals EUR '000	Currency differences EUR '000	31.12.2012 EUR '000
Intangible assets							
Goodwill	220,678	5,006	0	0	0	1,589	227,273
Acquired software	212,768	3,715	1,104	-2,518	-5,129	1,305	211,245
Customer relationships	146,494	11,725	0	2,146	-719	1,076	160,722
Brands	23,701	879	0	443	0	52	25,075
Order backlogs	7,709	1,011	0	134	0	8	8,862
Prepayments on software	1,158	0	728	-286	-76	21	1,545
Capitalized in-house services	38,001	0	7,103	203	0	0	45,307
	650,509	**22,336**	**8,935**	**122**	**-5,924**	**4,051**	**680,029**
Tangible assets							
Land and buildings	31,219	0	12,041	8,342	-613	107	51,096
Other assets, plant and office equipment	29,941	108	6,814	240	-1,886	146	35,363
Assets under construction	9,197	0	306	-8,704	-522	5	282
	70,357	108	19,161	-122	-3,021	258	86,741
	720,866	**22,444**	**28,096**	**0**	**-8,945**	**4,309**	**766,770**

	Depreciation					Book value	
	01.01.2012 EUR '000	Additions EUR '000	Disposal EUR '000	Currency differences EUR '000	31.12.2012 EUR '000	31.12.2012 EUR '000	31.12.2011 EUR '000
Intangible assets							
Goodwill	6,809	1,020	0	-59	7,770	219,503	213,869
Acquired software	138,415	13,601	-635	-241	151,140	60,105	74,353
Customer relationships	25,568	8,065	-129	-30	33,474	127,248	120,926
Brands	4,710	3,354	0	-12	8,052	17,023	18,991
Order backlogs	1,285	3,368	0	-1	4,652	4,210	6,424
Prepayments on software	0	257	0	-1	256	1,289	1,158
Capitalized in-house services	14,946	3,927	0	0	18,873	26,434	23,055
	191,733	**33,592**	**-764**	**-344**	**224,217**	**455,812**	**458,776**
Tangible assets							
Land and buildings	4,861	1,577	-37	0	6,401	44,695	26,358
Other assets, plant and office equipment	15,296	5,630	-770	-12	20,144	15,219	14,645
Assets under construction	0	0	0	0	0	282	9,197
	20,157	7,207	-807	-12	26,545	60,196	50,200
	211,890	**40,799**	**-1,571**	**-356**	**250,762**	**516,008**	**508,976**

Segment Report by Business Areas

in the 2013 financial year

EUR '000	Segment I: Health Provider Services I (HPS I) 2013 Jan - Dec	Segment I: Health Provider Services I (HPS I) 2012* Jan - Dec	Segment II: Health Provider Services II (HPS II) 2013 Jan - Dec	Segment II: Health Provider Services II (HPS II) 2012* Jan - Dec	Segment III: Health Connectivity Services (HCS) 2013 Jan - Dec	Segment III: Health Connectivity Services (HCS) 2012* Jan - Dec
Sales to third parties	320,434	304,754	81,175	81,155	57,681	64,445
Sales between segments	7,597	10,520	12,928	7,651	4,608	5,888
Segment Sales	**328,030**	**315,274**	**94,103**	**88,806**	**62,289**	**70,333**
thereof recurring sales	244,806	231,280	38,432	35,760	19,328	19,101
Capitalized in-house services	1,975	717	0	0	734	0
Other income	1,552	4,872	1,277	871	1,573	1,733
Expenses for goods and services purchases	-60,340	-66,572	-20,514	-19,605	-14,075	-20,828
Personnel expenses	-114,256	-108,508	-51,402	-51,473	-31,304	-28,425
Other expenses	-57,565	-48,044	-11,785	-7,595	-13,988	-9,919
EBITDA	**99,398**	**97,739**	**11,678**	**11,004**	**5,230**	**12,894**
in % of revenue	34.3%	35.4%	12.3%	13.6%	19.1%	27.8%
Depreciation of property, plants and tangible assets						
Amortization of intangible assets						
EBIT						
Results from associates recognised at equity						
Financial income						
Financial expense						
EBT						
Income taxes						
Profit for the period from discontinued operations						
Consolidated net income of the period						
in % of revenue						
CASH NET INCOME**						

* Adjusted prior year figures
** Cash net income: net income before minority interests plus amortization on intangible assets except amortization on in-house capitalized software.

Other activities		Sum segments		Consolidation		CGM Group	
2013 Jan - Dec	2012* Jan - Dec	2013 Jan - Dec	2012* Jan - Dec	2013 Jan - Dec	2012* Jan - Dec	2013 Jan - Dec	2012 Jan - Dec
265	228	459,555	450,582	0	0	459,555	450,582
417	95	25,549	24,154	-25,549	-24,154	0	0
682	**323**	**485,104**	**474,736**	**-25,549**	**-24,154**	**459,555**	**450,582**
12	12	302,578	286,153	0	0	302,578	286,153
6,942	5,893	9,651	6,610	0	0	9,651	6,610
1,414	1,608	5,817	9,085	-3,304	-3,682	2,512	5,403
-6,525	-6,893	-101,454	-113,898	22,102	31,380	-79,352	-82,518
-5,676	-4,589	-202,638	-192,995	-12,304	-8,956	-214,942	-201,951
-3,147	-2,696	-86,485	-68,255	6,836	-4,917	-79,649	-73,172
-6,309	**-6,354**	**109,996**	**115,283**	**-12,220**	**-10,330**	**97,776**	**104,954**
		27.1%	29.0%			21.3%	23.3%
						-7,373	-7,207
						-33,575	-33,592
						56,828	**64,155**
						-20	-360
						4,318	7,479
						-25,918	-22,900
						35,208	**48,374**
						-13,033	-17,951
						-457	0
						21,718	30,423
						4.7%	6.7%
						51,633	**60,088**

Segment Report by Regions

	CER		CEE		NER		SER	
EUR '000	2013	2012	2013	2012	2013	2012	2013	2012
Sales revenues	220,856	220,355	87,879	84,008	84,797	82,418	38,858	26,389
Non-current assets	164,700	161,495	68,018	74,304	135,750	147,416	53,508	35,983

The CE (Central Europe region) region comprises the domestic market only (Germany).

USC		Total		All other regions		Consolidation		CGM Group	
2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
36,779	44,959	469,170	458,130	1,599	1,053	-11,214	-8,601	459,555	450,582
57,427	63,380	479,402	482,578	42,878	33,430	0	0	522,279	516,008

Responsibility Statement by the Management Board

We certify that, to the best of our knowledge based on applicable accounting policies, the consolidated financial statements give a true and fair view of the company's actual assets, financial situation and earnings. We furthermore certify that the combined management report gives a true and fair view of the business activities including the annual results and the condition of the company, and that the inherent opportunities and risks for future development are explained.

Koblenz, 22 March 2014

CompuGroup Medical Aktiengesellschaft
The Management Board

Frank Gotthardt **Christian B. Teig** **Uwe Eibich**

Auditor's Report

We have audited the consolidated financial statements prepared by the CompuGroup Medical Aktiengesellschaft, Koblenz, comprising the statement of financial position, the income statement, statement of comprehensive income, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the group management report, which is combined with the management report of the parent Company, for the business year from January 1 to December 31, 2013. The preparation of the consolidated financial statements and the combined management report in accordance with the IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § (Article) 315a Abs. (paragraph) 1 HGB ("Handelsgesetzbuch": German Commercial Code) is the responsibility of the parent Company's Board of Managing Directors. Our responsibility is to express an opinion on the consolidated financial statements and on the combined management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the combined management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the combined management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of the entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Company´s Board of Managing Directors, as well as evaluating the overall presentation of the consolidated financial statements and the combined management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion based on the findings of our audit the consolidated financial statements comply with the IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The combined management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Frankfurt am Main, March 22, 2014

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Jürgen Lehnus
Wirtschaftsprüfer
(German Public Auditor)

ppa. Christopher Schlig
Wirtschaftsprüfer
(German Public Auditor)

Share Information

The CompuGroup Medical share is listed on the Frankfurt Stock Exchange, Prime Standard, under the ticker COP (FRA: COP). The shares are traded through the world-wide electronic trading system XETRA. As at 31 December 2013, there were 53.2 million shares outstanding, each with a calculated value of EUR 1.00.

Key data per share

		2013	2012	2011	2010
Year-end price	€	18.34	14.65	8.70	11.07
Year high	€	20.11	15.62	12.70	7.51
Year low	€	14.01	8.15	7.47	11.63
Year average	€	17,64	11.88	9.99	8.77
Yearly trade	€m	150.6	63.4	49.1	45.2
	Shares m	8.6	5.3	5.1	5.3
Number of shares	Shares m	53.2	53.2	53.2	53.2
Market capitalization[1]	€m	976.0	779.7	463.0	589.1
Earnings per share	€	0.48	0.62	0.19	0.33
Dividend per share	€	0.35[2]	0.35	0.25	0.25
Dividend payout	€m	17.4[2,4]	17.4	12,5	12,6
Dividend yield	%	1.91[1,2]	2.39[1]	2.87[1]	2.26[1]

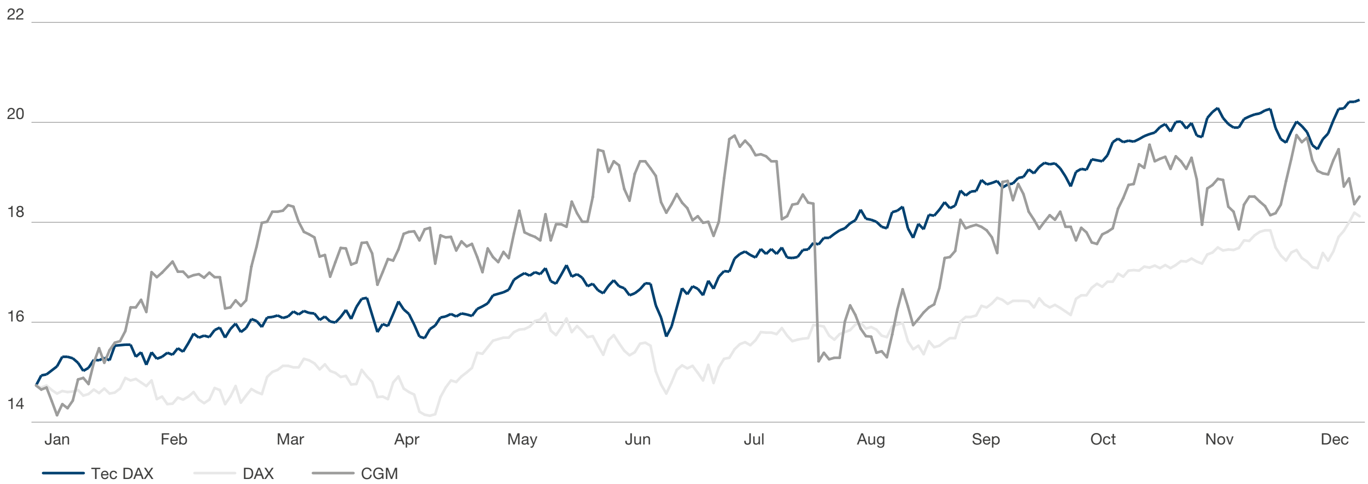
1) as of 31.12
2) Subject to Annual General Meeting approval
3) related to net income of CGM AG
4) as of date of approval of 2013 financial statements

Share development

In the fiscal year 2013, the share price increased from EUR 14.65 to EUR 18.34. This represents an increase of 25 percent, bringing the total market capitalization up EUR 196 million to a total of EUR 976 million at the end of the year 2013. The shares ended 2013 at EUR 18.34. The high for the year was reached on 10 December 2013 with EUR 20.11.

The yearly trading volume increased significantly (+62 percent) to reach 8.6 million. The average daily trading volume in 2013 was approximately. 34,000 shares (previous year: approximately 21,000).

The share price development during 2013 can be seen below:



CGM share included in TecDAX

On 23 September 2013 the German Stock Exchange included the CGM share in the German technology stock index TecDAX which comprises the 30 largest technology stocks in the Prime Standard.

Dividend

In the 2013 financial year EUR 17.4 million were paid out corresponding to a dividend per share of EUR 0.35. In 2013, the Management and Supervisory Board will propose the payment of a dividend of EUR 0.35 per share to the Annual General Meeting held on 14 May 2014. Subject to the shareholder's approval, the dividend amount would total EUR 17.4. Based on the 2013 closing share price (EUR 18.34), this would equate to a dividend yield of 1.91 percent.

Share data

Listing	Börse Frankfurt, Germany, Prime Standard
ISIN	DE0005437305
WKN	543730
Xetra Trading Parameters Symbol	COP

Investor Relations

The Management Board and the Supervisory Board of CompuGroup Medical AG identify with the objectives of the German Corporate Governance Code of promoting responsible and transparent management and control oriented to a sustainable increase in shareholder value.

Investors and capital market participants are to be provided consistent, timely and precise information simultaneously. CompuGroup Medical, as an international company with investors across the globe, publishes all news and press releases in English as well as German.

The Investor Relations section of the company's corporate website www.cgm.com is an important tool containing up-to-date information on the company's financial performance and stock market information. User may also find financial reports, an updated financial calendar, detailed company information and other important data for the financial markets. In conjunction with the release of its interim and full year financial results, CGM gives public presentations to investors, analysts and press.

During the year, CompuGroup Medical held numerous physical meetings and phone calls with German and international investors and analysts and participated in international capital market conferences. The cities covered during road shows and conferences in 2013 include: Amsterdam, Boston, Frankfurt, Geneva, London, Milano, Munich, New York, Paris and Zurich.

CGM also held telephone conferences and analyst meetings when publishing quarterly results. At the world's largest medical trade fair MEDICA in Düsseldorf CompuGroup Medical held an investor and analyst conference in November 2013. In addition to the publication of CGM's Q3 results, the company presented products and services from various business units.

At the end of the year, the number of analysts that regularly follow CompuGroup Medical amounted to seven, all of them based in Germany. Commerzbank AG started covering the stock in June 2013, Landesbank Baden-Württemberg in November 2013. With three buy, one neutral and three hold recommendations, the analysts presented a positive view of the CompuGroup Medical share. The forecast price targets ranged from EUR 17.00 to EUR 21.00 at the end of 2013.

Financial Calendar 2014

Date	Event
27 March 2014	Annual Report 2013
08 May 2014	Interim Report Q1 2014
14 May 2014	Annual General Shareholder Meeting, Koblenz
07 August 2014	Interim Report Q2 2014
12 November 2014	Interim Report Q3 2014 / Analyst Conference

Imprint

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