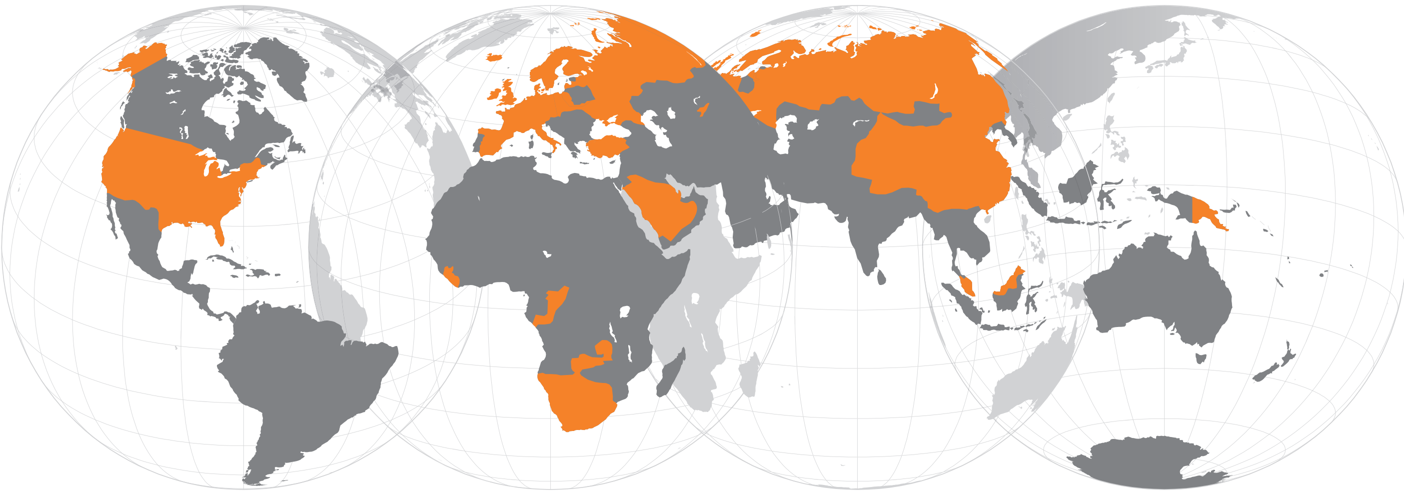
CompuGroup Medical AG

Annual Report 2011



Synchronizing Healthcare

CompuGroup Medical

Highlights

397	EUR m Group Revenue	36	EUR m Cash Net Income
73	EUR m EBITDA	0.18	EUR Earnings Per Share

01

A year of expansion for CompuGroup Medical

Dear Shareholders,

2011 was a year of expansion for CGM – more so than ever before.

We got off to an ambitious start, with no fewer than six acquisitions completed in January, including further expansion in the US and first entry into The Netherlands, Belgium and Switzerland. In June, we followed up with the Lauer-Fischer acquisition and entry into the pharmacy software market in Germany. Combined, these acquisitions increased the size of our business by more than 30 percent, continuing CGM's rapid move up the ranks of global healthcare IT companies.

However, strong growth has its challenges. Last year we faced a series of issues, especially during the first half of the year. In particular, we had to make significant changes to our US business in order to integrate and consolidate the companies we acquired into one powerful CGM entity able to take advantage of the special opportunities available in the largest healthcare market in the world. At the same time, we undertook a world-wide rebranding and consolidation of our global business structure, in order to improve efficiency and performance in all of our markets.

2011 was therefore a year of planting seeds and organizing our business. Special circumstances, transaction expenses and restructuring efforts dominated our financial performance during the first half of the year, leaving us with an unusual reported operating margin of only 14 percent. However, as the year progressed, the fruits of our efforts began to show in our financial performance, with operating margins reaching 23 percent in the second half. Seen in this context, the full year outcome with revenue of 397 million Euro and EBITDA of 73 million Euro is a satisfactory result that reflects our obligation to balance growth and profitability.

Whilst managing this period of rapid expansion we have retained our focus on, and corporate commitment to, improving healthcare generally through the better use of more effective information technology. To support this commitment CGM is, through normal operating expenses, investing more than 130 million Euros over five years since 2010 in future-oriented product research and development, continuing the excellent work undertaken to date. This will ensure we continue to bring new innovations and improved products to the market, helping doctors, hospitals, pharmacies and other providers to come together in seamless care delivery networks fully supported by readily available medical knowledge. These networks, in turn, are connected to health insurance companies, government, industry and most importantly patients themselves. We are proud that CGM products and services are Synchronizing Healthcare every step of the way.

In 2012, we will continue on our journey towards becoming a truly global company. Our vision is continued growth and improved operational efficiency which, as well as being a personal commitment from me as your CEO, is shared with all 3,500 CGM employees. From our existing strong position, and through well-planned activity, we will continue to grow, enter new markets and provide amazing services. I am very much looking forward to the coming year.

I would like to thank all employees, shareholders, customers and other members of the CGM family for your dedication, your enjoyable and supportive co-operation and all your trust over the past year!

Yours sincerely,

Frank Gotthardt
Chairman, CEO
29 March 2012

Full story and interview with Frank Gotthardt available online:

http://report2011.cgm.com

30%
increase in the size of the business

3,500
employees

02

LAUER-FISCHER
Innovative pharmacy software solutions

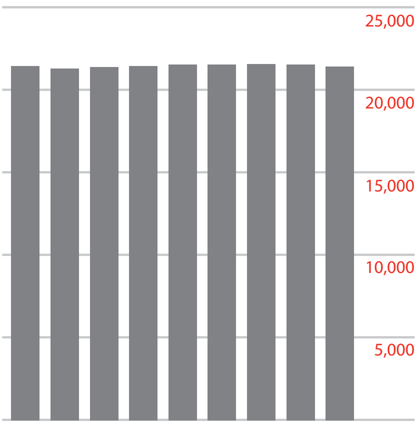
In June 2011 CGM entered the market for pharmacy software by acquiring a major stake in LAUER-FISCHER GmbH.

LAUER-FISCHER in figures:

- Revenue: over 50 million Euro in 2011
- Over 4,000 satisfied pharmacy customers
- 20% market share in Germany
- 470 employees
- Service strength and market proximity through 17 branch offices
- More than 200 reference clients

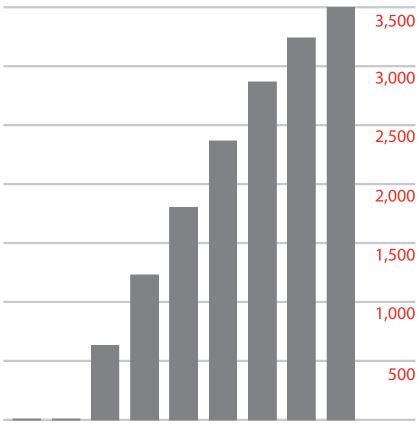
Pharmacy market in Germany

Stable



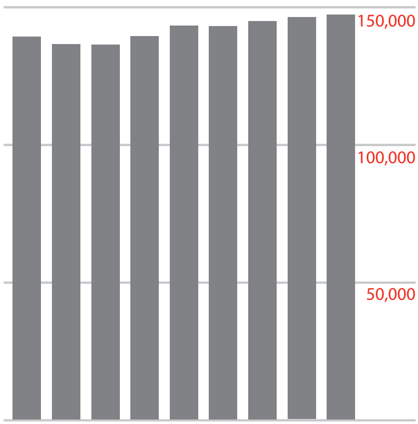
Number of pharmacies (incl. branch pharmacies)
2002 to 2010

Growth



Number of branch pharmacies
2002 to 2010

Volume



Number of workplaces
2002 to 2010

Further information on LAUER-FISCHER online:

http://report2011.cgm.com

03

Realigning our operations in the US

During 2011, CGM's US business was consolidated under one single company and brand. A focused organization now offers three distinct product/service areas to the largest healthcare market in the world.

1 brand
3 offerings

Learn more about our US operations online:

http://report2011.cgm.com

AlteerOffice®
integrated EHR/PM

The ultimate PMI/EHR productivity suite

Alteer Office is a fully integrated SaaS-based (Software as a Service) EHR and PM solution. Backed by more than 15 years of clinical use, Alteer Office gives physicians the power to enhance patient care, streamline workflow, increase revenue, demonstrate Meaningful Use and earn federal stimulus incentives.

eMedix™
Reimbursement Services

eMedix Reimbursement Services

The eMedix Reimbursement Services enables doctors to send and receive claim electronically, download reports and remits etc. eMedix lets doctors enjoy fewer claim rejections, denials and write-offs, streamline cashflow and increase staff productivity – to become more profitable with less work.

Revenue Cycle Management

The revenue cycle management tool of eMedix automates and streamlines claims submission, eligibility and claims status, remittance and denial management, and reporting.

LabDAQ®
laboratory information system

Market leading Laboratory Information System

Laboratory tests make up an increasingly important part of modern healthcare. To improve quality, analytical information is being shared between more and more knowledge workers within the diagnostic services and also beyond. The market leading LabDAQ Laboratory Information System increases laboratories' reimbursements and productivity, while improving patient safety and providing total connectivity to EHR/PM's, remote locations and reference laboratories.

18,000

CGM is currently an IT supplier to approximately 18,000 doctors in the United States.

04

Growth leads to a junction

Unique position
CompuGroup Medical's services are based on a unique customer base of over 385,000 doctors, dentists, hospitals, and pharmacies as well as other service providers in healthcare.

From local to global
With locations in 19 countries and customers in 33 countries worldwide, CompuGroup Medical is the eHealth company with one of the highest coverage among eHealth service providers.

Learn more about our growth strategy online:

http://report2011.cgm.com

During the last 5 years, CGM has expanded geographically, secured market leadership in key European markets and created a decisive first position in the United States. During this phase, priority has been given to invest and acquire market positions and to grow the top line.

Next phase priorities
In the coming period, the overriding goal is to drive both growth and return on capital. This leads to a change in priorities.

2007-2011

01
Invest and acquire market positions

02
Integrate and consolidate acquired companies

03
Create a global brand and operating structure

2012

01
Increase operating efficiency

02
Organic growth

03
Continue to invest and acquire market positions

05

Bringing Germany online

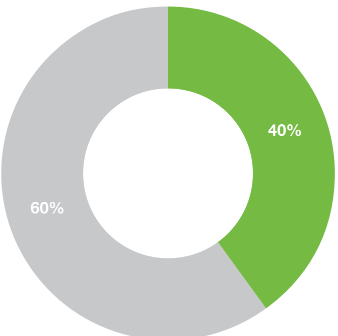
Boasting more than 38,000 users, CGM is already among the leading providers of online communication services in German healthcare.

With telemed CGM offers access to its medical intranet as a platform for secure communication and data exchange to physicians, dentists, hospitals and all other healthcare participants.

TELEMED @

Kommunikationslösungen

German practices online



- Online with AIS (40%)
- Without AIS or not online at all (60%)

60%

of the medical and dental practices still require secure online access.

Visit our online report for further information:

http://report2011.cgm.com

Communication between doctor and patient

CGM LIFE eSERVICES
Gesundheit Online

CGM LIFE eSERVICES:

- enable web-based communication between a medical practice and patients
- provide personal medical data to a patient's personal health record
- are seamlessly integrated in doctors' AIS
- improve practice workflows
- provide highest data security

eBooking
Patients can individually choose and book an appointment directly via the physician's website.

ePrescription
In case of recurring prescriptions, the patient can access his personal medication history and select the medicine required. In a few steps he will receive his prescription which is verified, released and printed by the physician in his ambulatory information system.

eConsultation
Patients' questions regarding topics such as laboratory results or medication can be answered in eConsultation. The complete integration enables immediate transfer of the whole online communication into the AIS system (automatic documentation) – corresponding with top IT-security standards.

eFindings
Laboratory findings, physicians' letters and much more can be transmitted via the eFindings function. Thus the practice saves postal- and telephone charges – and protects the environment.

06

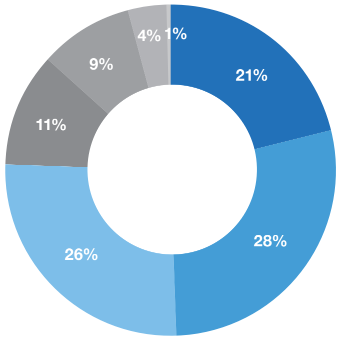
Welcome to Koblenz!
Headquarters and heart of CGM

720 employees
12 buildings
50,000m² area
20,000m² office space

Our employees

Our highly motivated 3,500 employees, their expertise and creativity are the essential cornerstones for our success and growth.

Regional employee deployment



- Koblenz (21%)
- Rest Germany (28%)
- Central Eastern Europe (26%)
- North Europe (11%)
- North America (9%)
- South Europe (4%)
- Asia, Latin America, Middle East (1%)

Combining family and career
CGM supports the reconciliation of job and family by opening a day care centre for children at its Koblenz headquarters in 2009 with experienced kindergarten teachers taking care of up to 32 children.

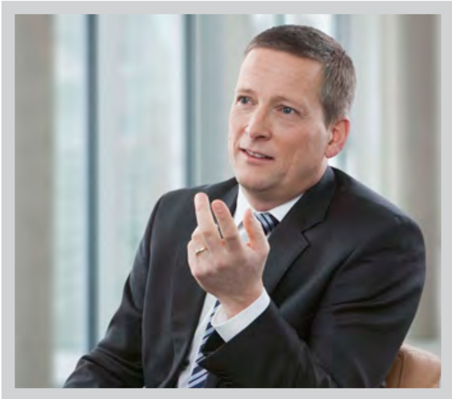
Read more about Campus Koblenz online:

http://report2011.cgm.com

Management team

Frank Gotthardt
Chief Executive Officer, CEO
Chairman of the Management Board

Mr. Frank Gotthardt was born in Siegen, Germany, in 1950. He began his business career in healthcare technology and was one of the pioneers in the development of software for dentists. From these beginnings he founded CompuGroup Medical and under his leadership the Company has grown to become a leading global healthcare IT enterprise. Frank Gotthardt holds a degree in computer sciences. He is majority shareholder of CompuGroup Medical.



Christian B. Teig,
Chief Financial Officer, CFO

Mr. Christian B. Teig, born in Oslo, Norway, in 1965, was appointed Chief Financial Officer (CFO) of CompuGroup Medical AG in October 2008. Prior to his appointment, Christian B. Teig held the position as CEO of Profdoc ASA, a Norwegian listed e-Health company. Before Mr. Teig started to work for Profdoc in 2000, he worked in the technology sector for Norsk Data and as a management consultant for McKinsey & Company. Christian B. Teig holds a Bachelor of Science degree from the University of California (Santa Barbara) and a Master of Business Administration degree from INSEAD (France).

Uwe Eibich,
Executive Vice President,
Central Europe

Mr. Uwe Eibich, born in Duisburg, Germany, in 1962, has been a member of the Management Board of CompuGroup Medical since January 2007. He joined CompuGroup Medical in 1998 and managed the dental division for many years. Mr. Eibich has accompanied the international expansion of CompuGroup Medical since 2004. Uwe Eibich holds a degree in computer sciences from the University in Berlin and the University in Bonn.

Report of the Supervisory Board

The Supervisory Board of CompuGroup Medical AG carried out its duties under the law and its articles of association during 2011. 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 as to measures taken to improve results and possible, planned and completed company acquisitions. Opportunities and risks of possible transactions have been discussed in detail with the management board. Deviations from the business plans and targets were explained to us in detail.

The Supervisory Board formed an audit committee from among its members whose chairman is the chairman of the Supervisory board. The audit committee held three meetings in total in the year under review and prepared the resolutions of the Supervisory Board. The committee gave an advice to the Supervisory Board for the appointment of the auditor for the fiscal year 2011. The Supervisory Board was regularly informed about the work of the audit committee. Members of the committee beside of the chairman Mr. Prof. Klaus Steffens are Mr. Dr. Klaus Esser, Mr. Dr. Daniel Gotthardt and Mr. Ralf Glass.

The Supervisory Board held six ordinary meetings in the year under review. Furthermore, three decisions were also taken in telephone conferences and in written procedures:

2 February 2011:
The Supervisory Board approved by circular resolution the Statement of Conformity according to clause 161 of German Stock Companies Act, which refers to the German Corporate Governance Codex.

1 March 2011:
The 2011 financial statements of CompuGroup Medical AG, the consolidated financial statements for 2011 and the reports of the Management Board were explained by the Management Board in the presence of the auditor in the meeting held for the purposes of approving the annual accounts. The annual financial statements of CompuGroup Medical AG were approved and the consolidated financial statements were adopted. Further activities, plans and financings for the 2011 financial year were also presented to the Supervisory Board.

11 May 2011:
During the meeting prior the Annual General Meeting of the company the Supervisory Board was informed about the current situation of all business segments.

During the meeting after the Annual General Meeting the Supervisory Board reelected the chairman of the Supervisory Board, the deputy chairman of the Supervisory Board and appointed the members of the audit committee.

6 August 2011:
In a circular resolution the Supervisory Board approved the start of a share buyback program for up to 500,000 shares of the company.

14 September 2011:
In this ordinary meeting the Supervisory Board was informed about interesting acquisition projects in Germany, Netherlands and Italy. Other main focuses were the situation in the business units and a report of the restructuring status in the USA.

11 November 2011:
During this ordinary meeting the Supervisory Board has been informed about potential acquisitions. The draft Group budget 2012 was presented and discussed. Another important topic was the consultation about the reappointment of Mr. Christian Teig as CFO of the company.

14 December 2011:
In this ordinary meting the Supervisory Board has been informed about the current situation of all business segments. The Management Board presented the Group budget 2012 which was subsequently approved by the Supervisory Board. In the same meeting Mr. Christian Teig was reappointed as CFO for further 4 Years until 30 September 2016. The management contract and the stock option agreement were accordingly adopted. In the meeting the purchase of the office building was discussed, which is the current residence of the head office of the company. The owner of the building was Mr. Frank Gotthardt. The deliberation about the purchase price was based on an independent valuation report. The Supervisory Board approved the purchase unanimously.

During the reporting period no conflicts of interest occurred within the Supervisory Board.

The Supervisory Board received in due time the 2011 annual financial statements, the consolidated financial statements and the annual report of the AG and of the group that were prepared by the Management Board as well as the Management Board's recommended appropriation of net profit for the year and the corresponding auditor's reports. The audit committee also reviewed the documents. At the meeting of the Supervisory Board held in March 2012 to approve the annual accounts, the auditors of PricewaterhouseCoopers AG (PWC), Frankfurt, answered all the questions of the Supervisory Board in person.

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 ended 31 December 2011, including accounting records, in accordance with statutory provisions and issued an unconditional audit opinion thereon.

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

In accordance with § 171 AktG, the Supervisory Board reviewed and adopted the 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 and the risk management report. The financial statements of CompuGroup Medical AG are therefore approved. The consolidated financial statements were adopted.

The Management Board submitted the report prescribed by § 312 AktG concerning relationships with related companies (dependency report) to the Supervisory Board together with the declaration required by § 312 Para. 3 AktG. The aforesaid auditor has checked the dependency report and issued the following certificate confirming the results of the audit:

"We have reviewed that

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

The Supervisory Board noted and approved the result of the audit and reviewed the dependency report. Following the final results of the review by the Supervisory Board, no objections are 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 and those of its affiliated undertakings for their commitment and the work performed.

Koblenz, 7 March 2012

The Supervisory Board

Professor Dr. Klaus Steffens
Chairman

Auditor's Report

We have audited the consolidated financial statements prepared by the CompuGroup Medical Aktiengesellschaft, Koblenz, comprising the statement of financial position, the 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 for the business year from January 1 to December 31, 2011. The preparation of the consolidated financial statements and the group 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 group 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 group 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 group 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 group 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 group 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 7, 2012

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Dr. Ralf Worster	**ppa. Christopher Schlig**
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

Corporate Governance Statement

The actions of CompuGroup Medical 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 GCGC in accordance with section 161 of the Aktiengesetz (AktG – German Stock Corporation Act).

Since the last declaration of conformity dated February 2011, CompuGroup Medical AG has conformed to the recommendations of the GCGC as amended on 26 May 2010, subject to the deviations mentioned in the aforesaid declaration.
In the future, CompuGroup Medical AG will comply with the recommendations of the GCGC as amended on 26 May 2010 with the following exceptions:

According to Section 2.3.3 of the GCGC, the company shall assist shareholders in providing postal voting opportunities. A decision to make use of the authorization pursuant to section 19.3 of the articles of association of the company will be made separately before each individual General Meeting.

According to 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.

According to 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 does not see age as a relevant criterion to evaluate the performance and ability of its corporate officers. 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.

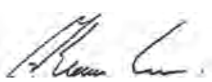
According to Section 5.3.3 of the GCGC, The Supervisory Board shall form a nomination committee composed exclusively of shareholder representatives which proposes suitable candidates to the Supervisory Board for recommendation to the General Meeting. CompuGroup Medical does not comply with this recommendation 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.

According to Section 5.4.1 of the GCGC, 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 does not see age as a relevant criterion to evaluate the performance and ability of its Supervisory Board members. Contrary to the recommendation of the GCGC the company will predominantly assure that the Supervisory Board will be composed of members who possess the requisite expertise, skills and professional experience.

Therefore the Supervisory Board will not determine abstract fixed aims for its own composition, which need to be considered in the candidate proposals to the Annual General Meeting.

According to Section 5.4.6 of the GCGC, Members of the Supervisory Board shall receive fixed as well as performance-related compensation. Performance-related compensation should also contain components based on the long-term performance of the enterprise. CompuGroup Medical does not comply with this recommendation and has only a fixed compensation of the members of the Supervisory Board. All Supervisory Board members are expected, regardless of their compensation, to perform their tasks with the highest level of engagement with focus on the company’s long-term success. Furthermore the membership in a committee, or the exercise of an office as deputy chairman in the Supervisory Board will not lead to an extra compensation.

Koblenz, February 2012



Prof. Dr. Klaus Steffens
Chairman
Supervisory Board

Frank Gotthardt
Chairman
Management Board

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 10 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 6 to 8 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 November 2011. The next efficiency review is scheduled for 2013. 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 were audited by PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Frankfurt, the auditors elected by the 2011 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 2011.

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.

Group Management Report

for the Financial Year 2011

Preliminary remarks

The management report of CompuGroup Medical Aktiengesellschaft, Koblenz, for the financial year 2011 shows certain differences in comparison with the prior year report with regard to its structure. The goal of these changes (particularly regarding employees and the new pharmacy subsegment) is to improve the informational value and to render the reporting more comprehensible.

1. The CGM Group

Business activities

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, pharmacies and hospitals. 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 over 385,000 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 33 countries worldwide.

Approximately 3,500 highly qualified employees support customers with innovative solutions for the steady growing demands of the healthcare system.

Segments

The business activities of CGM are divided into three main business segments and are further sub-segmented for more specific target groups and activities.

Health Provider Services ("HPS")
Specialized software solutions targeted mainly at doctors, dentists and pharmacists. About 250,000 healthcare professionals use information systems supplied by CGM in their own practices, pharmacies and in hospitals.

- Ambulatory Information Systems ("AIS") is focused on practice management software and electronic medical records for office-based doctors/dentists (also referred to as the primary care market or ambulatory segment).
- Hospital Information Systems ("HIS") is focused on hospital management software, electronic medical records and departmental subsystems for hospitals (also referred to as the secondary care market).
- Pharmacy Information Systems ("PCS") is focused on integrated clinical, administrative and financial software applications for pharmacies.

Health Connectivity Services ("HCS")
Products and services to facilitate networking between various healthcare participants, targeted specifically at pharmaceutical companies, healthcare payers and healthcare providers.

- Communication & Data: Targeted at pharmaceutical and medical equipment manufacturers, offering them the opportunity to provide information to doctors through software interfaces.
- Workflow & Decision Support: Targeted at healthcare payers (health insurers, managed care companies and public sector organizations) and doctors by providing an information channel via software interfaces to optimize decision making.
- Internet Service Provider (ISP): Targeted at healthcare providers (doctors, dentists, pharmacists and hospitals), providing internet/intranet networks for information exchange.

Consumer Health Services ("CHS")
Web-based personal health records targeted at the general public.

Competitive strengths

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.

Technological leadership and innovation
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. CGM is well positioned to remain at the forefront of technology and innovation going forward.

Geographic diversity and an internationally transferable business model
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 33 countries across Europe, North America, Asia and Africa.

Experienced market consolidator
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.

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).

Corporate strategy
The 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 HPS installed base of doctors, dentist and pharmacists primarily through acquisition. Add value to these investments though:

- Organic growth by adding new products and services to existing HPS customers and through HCS revenue streams from pharmaceutical companies, healthcare payers and other participants in healthcare.
- Continued leadership in technology and innovation.

Principles of corporate management
The Management Board controls the business segments by implementing strategic and operational standards and using a broad range of key performance indicators. An important variable is organic growth as part of our growth strategy and as a measure of our ability to add value to our acquisitions. Earnings before interest and taxes (EBIT) constitute an effective parameter for measuring the earning capacity of the business units. Earnings before interest, taxes, depreciation and amortization (EBITDA) are also seen as a good indicator of the business unit's ability to generate positive cash flows and meet their financial obligations. Both variables are stated separately in the consolidated income statement. Especially in light of our active investment activity regarding acquisitions of new enterprises, leverage represents an important statistic at the corporate level to optimize the cost of capital in the Group. Accordingly, capital procurement is understood to be a primary corporate responsibility that is not subject to the direct influence of the business units. Thus, interest paid for financing is not included in the agreed target variables of the individual business units. A similar procedure is followed for taxes.

Our access to over 385,000 healthcare professionals results in additional significant corporate control factors for the Group arising from our sales and customer service departments. The most important statistics in this area concern new customer acquisition, customer cross-selling and customer satisfaction.

2. Financial Review
5 Year Overview

Significant items	2011 EUR m	2010 EUR m	2009 EUR m	2008 EUR m	2007 EUR m
Group sales	396.56	312.37	293.41	229.19	180.19
Expenses for goods and services purchased	74.39	58.98	61.03	49.25	39.03
Personnel expenses	190.61	144.33	130.18	95.77	65.61
Other expenses	68.91	53.58	53.09	47.07	34.75
EBITDA	73.07	67.04	59.17	49.32	50.61
in %	18.42%	21.46%	20.17%	21.52%	28.09%
EBIT	36.66	33.20	24.80	12.80	27.44
in %	9.24%	10.63%	8.45%	5.58%	15.23%
EBT	25.20	26.53	18.32	6.98	23.02
in %	6.35%	8.49%	6.24%	3.05%	12.78%
Group net income	9.27	16.79	11.72	1.27	22.84
in %	2.34%	5.37%	3.99%	0.55%	12.68%

The prior-year figures were adjusted to account for the finalization of preliminary purchase price allocations from acquisitions in financial year 2010 as a result of adjustments to currency translations and a change in reporting methods (see consolidated notes for the 2011 financial year, section "B. General principles").

Revenue

Consolidated revenue in 2011 was EUR 396.6 million compared to EUR 312.4 million in 2010. This represents an increase of EUR 84.2 million and 27 percent respectively. Acquisitions contribute 25 percent to growth and organic growth was 2 percent.

In the HPS segment, revenue was EUR 330.2 million compared to EUR 248.2 million in 2010. This represents an increase of 33 percent of which 3 percent is organic growth. Ambulatory Information Systems (AIS) grew strongly at 31 percent of which 7 percent is organic growth. The organic growth in AIS primarily stems from new value-added products and services sold to existing customers.

Within Hospital Information Systems (HIS) the year-on-year growth was 3 percent going from 2010 to 2011, of which 10 percent comes from acquisitions and -7 percent is organic contraction. Several implementation projects were temporarily suspended by customers in Austria undergoing structural reforms during 2011 which significantly reduced recognized HIS revenue. It has also been a relatively slow market for add-on projects and new hospital clients in 2011.

Pharmacy Information Systems (PCS) is a new business area within HPS following the Lauer-Fischer acquisition in June 2011. Consolidated revenue in this segment came to EUR 25.8 million in the second half of 2011.

HPS revenue development (including acquisitions):

EUR m	2011	2010	Change
Ambulatory Information Systems	228.2	174.0	31%
Hospital Information Systems	76.2	74.2	3%
Pharmacy Information Systems	25.8	0.0	–
Total	**330.2**	**248.2**	**33%**

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

EUR m	First-time revenue 2011	Segment
Visionary Healthware Group (acquisition in September 2010)	10.8	AIS (HPS)
HCS (acquisition in December 2010)	2.1	HIS (HPS)
Healthport Solutions Division (acquisition in January 2011)	14.8	AIS (HPS)
Parametrix (acquisition in January 2011)	5.3	HIS (HPS)
Ascon (acquisition in January 2011)	12.6	AIS (HPS)
Belgiedata (acquisition in January 2011)	0.8	AIS (HPS)
Lorensbergs (acquisition in January 2011)	3.6	AIS (HPS)
Lauer-Fischer (acquisition in June 2011)	25.8	PCS (HPS)
Total	**75.8**	

In the HCS segment, revenue was EUR 65.7 million compared to EUR 63.9 million in 2010. This represents 3 percent growth, all of which is organic growth. Revenue in Communication & Data grew by 7 percent, from EUR 29.0 million in 2010 to EUR 31.1 million in 2011.

The growth in Communication & Data reflects more products and services being sold particularly to the branded pharmaceutical manufacturers as well as special circumstances in Germany which adversely affected sales in the previous fiscal year.

The business volume in Workflow & Decision Support declined 6 percent from EUR 25.1 million in 2010 to EUR 23.7 million in 2011. Sales of products and services to health insurance companies in Germany have been at a slow pace throughout 2011.

The 11 percent year-on-year growth in Internet Service Provider revenue stems from new subscribers of Internet connections and sales of associated data security products and services.

HCS revenue development (including acquisitions):

EUR m	2011	2010	Change
Communication & Data	31.1	29.0	7%
Workflow & Decision Support	23.7	25.1	-6%
Internet Service Provider	10.9	9.8	11%
Total	**65.7**	**63.9**	**3%**

In the CHS segment, there was no revenue in 2011 and this represents no change from 2010.

Profit

Consolidated EBITDA amounted to EUR 73.1 million compared to EUR 67.0 million in 2010. This represents an increase of EUR 6.0 million and 9 percent respectively. The corresponding operating margin was 18 percent compared to 21 percent in 2010. One-off transaction expenses (EUR 5.0 million) and restructuring expenses (EUR 2.3 million) related to the Lauer-Fischer acquisition significantly impacted the operating margin in 2011. The original forecast was adjusted during the year to account for these effects. Also, significant losses (EUR -3.8 million) were incurred in the United States during the first half of 2011 during the process of merging and consolidating the acquired companies there. On the positive side, there was also a one-off gain of EUR 1.9 million from the sale of the product area ‘Personal Office’ in Germany. Personal Office is a software suite for human resources management unrelated to healthcare.

The main developments in operating expenses were:

- Expenses for goods and services purchased went up from EUR 59.0 million to EUR 74.4 million, corresponding to a rise of 26 percent year-on-year. The increase is primarily driven by first time consolidation of costs of goods in acquired companies.
- The corresponding gross margin is 81 percent, which is equal to the previous year. The stable gross margin is explained by only small changes to the revenue mix and business model going from 2010 to 2011.
- The increase in personnel expenses by EUR 46.3 million is attributable to the increase in the average number of employees by 517 between the two balance sheet dates. This is mainly due to the employees in acquired companies which contribute EUR 40.3 million to the increase in personnel expenses going from 2010 to 2011.
- Other expenses increased from EUR 53.6 million in 2010 to EUR 68.9 million in 2011. This is mainly due the first time consolidation of other expenses in acquired companies.

Depreciation of tangible fixed assets increased from EUR 5.1 million in 2010 to EUR 6.3 million in 2011. This is mainly due to the first time consolidation of fixed assets depreciation in acquired companies.

Amortization of intangible fixed assets went from EUR 28.7 million in 2010 to EUR 30.1 million in 2011. This is driven by the increased amortization of purchase price allocations arising from new company acquisitions (EUR 1.7 million) and a decreased amortization of intangible assets (EUR -0.3 million).

Financial income increased from EUR 3.3 million in 2010 to EUR 4.8 million this year due largely to a larger average cash balance held during the year and realization of foreign exchange gains. The financial expense increased by EUR 6.1 million up to EUR 16.3 million in 2011 and is composed of the following items:

EUR m	2011
Interest and expenses on EUR 330 million syndicated loan facility	11.8
Interest and expenses on other bank loans	2.3
Interest and expenses on normal bank accounts and currency	0.5
Interest for purchase liabilities (non-cash)	1.7
Fair value evaluation of interest SWAP (non-cash)	0.1
Interest income according to IAS 23	-0.6
Total	**16.3**

Tax expenses rose by EUR 6.2 million up to EUR 15.9 million in 2011. The tax rate was 63.2 percent in 2011 compared to 36.7 percent in 2010.

	2011 EUR '000	%	2010 EUR '000	%
Earnings before taxes	25,198		26,530	
Nominal tax rate (29.65%; previous year: 38.5%) – theoretical tax expense	7,471	29.65	7,866	29.65
Turkey and Malaysia loss – no tax savings	781	3.1	487	1.8
Write-off deferred tax assets	0	0.0	1,013	3.8
Lower foreign tax rates	260	1.0	313	1.2
Tax reimbursement for prior years	-90	-0.4	-193	-0.7
Tax expenses from audit	1,800	7.1	0	0.0
Tax exempt income from sale of shareholdings	0	0.0	-447	-1.7
Tax expenses from permanent differences	1,483	5.9	0	0.0
Unrecognized tax losses carried forward from abroad	4,041	16.0	0	0.0
Non-deductible expenses and other	181	0.7	703	2.6
Effective tax expense	**15,927**	**63.2**	**9,742**	**36.7**

Tax expense rose by 26.5 percentage points year-on-year, primarily as a result of a backlog of loss carry forwards that may be useable for tax purposes from foreign subsidiaries for which the Group did not recognize any deferred tax assets. CompuGroup Medical did not recognize these deferred tax assets on account of its current estimate of their usability in the future. An effect of EUR 4.0 million (16 percentage points) increased the tax rate in the 2011 financial year.

In 2011, permanent tax differences of EUR 1.5 million (6 percentage points) were incurred from the agency fees paid for the acquisition of Lauer-Fischer Group which are not tax-deductible. Accrued provisions for expected tax back payments on account of tax audits of EUR 1.8 million (7 percentage points) also contributed to the tax rate increase.

After tax earnings came in at EUR 9.3 million in 2011, compared to EUR 16.8 million in 2010.

Cash flow

Cash flow from operating activities during 2011 was EUR 46.7 million compared to EUR 39.6 million in 2010. The changes compared to 2010 mainly come from the following positions:

- After tax earnings came in at EUR 9.3 million in 2010, which is a decrease of EUR 7.5 million compared to 2010 (EUR 16.8 million).
- Change in depreciation and amortization of EUR +2.6 million year-on-year.
- Change in trade receivables of EUR +0.9 million (2010: EUR -10.3 million).
- Change in other receivables of EUR +0.8 million (2010: EUR -2.6 million).
- Change in income tax receivables of EUR +3.8 million (2010: EUR 1.2 million).
- Change in other current and non-current liabilities of EUR -5.5 million (2010: EUR +1.0 million).
- Change in current provisions of EUR +7.6 million (2010: EUR 4.4 million).

Cash flow from investment activities during 2011 amounted to EUR -98.4 million compared to EUR -87.5 million in 2010. In 2011, CompuGroup Medical's capital expenditure consisted of the following:

EUR m	2011
Acquisition of the assets from the Parametrix business	4.9
Acquisition of 100% of the shares in Lorensbergs Holding AB (less own cash and cash equivalents)	3.0
Acquisition of 100% of the shares in Healthport Solutions Division (less own cash and cash equivalents)	13.1
Acquisition of 75% of the shares in Lauer-Fischer (less own cash and cash equivalents)	51.7
Acquisition of 100% of the shares in Ascon Group (less own cash and cash equivalents) – purchase price payment in 2010, therefore effect only on own cash and cash equivalents in 2011	-1.0
Purchase of non-controlling interest (earn-out Visionary Healthware)	5.8
Capitalized in-house software and other intangibles (less disposals)	9.7
Construction of new office building in Koblenz	6.4
Other property, plant and equipment (less disposals)	4.8
Total	**98.4**

Cash flow from financing amounted to EUR 34.0 million in 2011 which is mainly related to a dividend payment of EUR -12.6 million by CompuGroup Medical AG and the repayment and assumption of new loans (EUR 52 million net).

Statement of financial position

Since the statement of financial position of 31 December 2010, total assets increased by EUR 94.5 million to EUR 640.2 million. Intangible assets represent the largest item of individual asset classes in terms of value (EUR 458.3 million as of 31 December 2011 compared to EUR 380.7 million as of 31 December 2010). Their share of total assets was 71.6 percent (previous year: 9.8 percent). Intangible assets primarily originated from undisclosed reserves from company acquisitions uncovered 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: EUR 77.6 million increase in intangible assets, EUR 11.1 million increase in tangible assets, EUR 18.2 million decrease in cash and cash equivalents and EUR 24.0 million increase in trade receivables (of which EUR 17.5 million from Lauer-Fischer).

The increase in tangible and intangible assets mainly arises from Company acquisitions consolidated since the last balance sheet date. The decrease in cash and cash equivalents is due to a special situation last year when the Company held an unusually high amount of cash while refinancing loans.

The increase in trade receivables results from new companies acquired. For all other assets there are only minor changes during 2011.

After consolidating EUR 9.3 million in net profit for the period from 1 January to 31 December 2011, group equity was EUR 168.2 million as at 31 December 2011, down from EUR 182.9 million as at 31 December 2010. The decrease in equity comes from the EUR 12.6 million dividend paid to the shareholders of CompuGroup Medical AG and from offsetting the purchase of further non-controlling interests to the amount of EUR 2.6 million against equity after a majority share was already held. In addition, the equity effect from changes in currency exchange rates and changes in interest rates (change in market value of interest rate swap) amounted to EUR -6.6 million during 2011. The equity ratio decreased from 33.5 percent in 2010 to 26.3 percent in 2011.

During the reporting period, current and non-current liabilities to banks rose by EUR 53.0 million compared to 31 December 2010. This is mainly due to increased utilization of the EUR 330 million syndicated loan facility to pay for company acquisitions in 2011.

Further changes to non-current liabilities resulted from deferred taxes increasing by EUR 12.8 million on account of additions from Company acquisitions.

The changes in current liabilities year-on-year were primarily due to the changes in liabilities to banks stated above, the increase in income tax liabilities and increased restructuring provisions and purchase price liabilities following the acquisition of new companies.

3. Operational Review

Order situation

International SOS Clinic in Beijing, China, goes live with PMO Clinic System from CompuGroup Medical

International SOS – the World's leading healthcare, medical and security assistance company has chosen Electronic Medical Records System and Practice Management Solution from CompuGroup Medical's subsidiary in Malaysia. CompuGroup Medical AG is supporting the implementation of an Electronic Medical Records System (EMR) and Practice Management System at the International SOS' Clinic in Beijing, China. These systems will help International SOS realize more efficient patient care and comprehensive cost savings. The contract with International SOS was awarded in June 2011.

Roll-out of IT solution to outpatient units in the region of Skåne in Sweden

The population of the Skåne region is just over one million – that is around 13 percent of the nine million inhabitants of Sweden. Outpatient care in Skåne consists of approximately 130 polyclinics, about 140 mother and child health centers and around 140 rehabilitation organizations. All of these units will in the coming years be equipped with AIS software from CompuGroup Medical Sweden AB. The contract was awarded after a public tender process which began already in 2008 and finally concluded in June 2010 with CompuGroup Medical as the successful winner. The contract will last for five years with the option to extend for a further five.

Complete healthcare information management system for the region of Dalarna, Sweden

CompuGroup Medical was in November 2010 awarded a contract with the Swedish region of Dalarna after a public tender process for an IT solution for all healthcare units within the region (inpatient and outpatient). The choice landed on the system TakeCare from CGM in Sweden. TakeCare is already proven as a unique solution for large installations in the Stockholm region where more than 30,000 users at more than 1,600 units/wards with over 2.6 million patient files work from one central server and database – all within a 'single shared patient record' structure. In Dalarna, the installation will cover 6 hospitals, 30 polyclinics as well as other more specialized healthcare units. The introduction of the new solution will be fully complete by the end of 2013.

Development within business segments

Integration of Lauer-Fischer GmbH, Germany

In June 2011, CompuGroup Medical AG entered the market for pharmacy software by acquiring 75 percent of the shares in Lauer-Fischer GmbH. Lauer-Fischer is one of the leading and most innovative companies in the pharmacy software market and services approximately 20 percent of German pharmacies today.

In the months following the acquisition, significant synergies were realized through the integration of Lauer-Fischer in CompuGroup Medical. Sales, marketing, logistics and general administration was moved from Fürth to Koblenz in August and September and these functions were integrated with the existing CompuGroup organization. Furthermore, a new customer service concept ('360 degree customer care') was introduced in the branch network during September and October with first line support and account management becoming a more decentralized responsibility close to the customers. This new concept led to the closure of the old central service center in Haan in October. Other functions of the organization are also being optimized and synergies realized mostly through natural personnel fluctuations.

On the revenue side, new product and service concepts have already been developed and presented to potential customers. At the Expopharm exhibition in October 2011, solutions for improved electronic integration between office-based doctors, rehabilitation and elderly care clinics, pharmacies and blistering centers (centers that do special unit-dose packaging of pharmaceuticals) were demonstrated and the first orders for add-on modules signed. Within Communication & Data, the software modules currently running within CompuGroup's ambulatory information systems are in the process of being integrated into the Lauer-Fischer software to offers pharmaceutical companies an improved electronic communication channel to pharmacies. The first Communication and Data products and services for pharmacies will be introduced in 2012.

United States and status for CompuGroup Medical

CompuGroup Medical is currently an IT supplier to approximately 18,000 doctors in the United States, out of a total number of office-based doctors of approximately 625,000 (office-based independent doctors approximately 420,000). The market position of CompuGroup Medical has been assembled through the acquisitions of Noteworthy Medical Systems (February 2009), Visionary Healthware (September 2010) and Healthport Solutions Services Division (January 2011).

For the US business, it was a challenging start to 2011 with lower revenue and lower operational efficiency in the acquired companies than expected. Broad measures were taken to consolidate and restructure the whole US operation with group wide management of functional areas, harmonization of IT infrastructure, telecommunications, datacenters etc. and corresponding cost reductions and efficiency improvements. The restructuring was completed during the first half of 2011 and Management of the US business was also changed with Henrik Crüger as new Senior Vice President for North America. Henrik Crüger has successfully managed the North Europe region for CGM during the last 3 years.

CGM is confident that the measures implemented in the United States have created the basis for a strong, profitable and growing business in this market. The cost base in the second half of 2011 was approximately EUR 5 million lower compared to the first half of 2011 (including restructuring costs). The second quarter financial report published in August 2011 already showed clear positive effects and for the first time the US business had a positive quarterly operating profit (EBITDA) in the third quarter of 2011.

Order bookings picked up and increased significantly during the second half of 2011, including EHR sales. However, the transfer of the growing backlog into delivery and recognized revenue continued to be slow due to more work than expected related to the 5010 upgrade process. The 5010 upgrade is related to a new HIPAA standard (Health Insurance Portability and Accountability Act of 1996) for electronic healthcare transactions which is mandatory from 1st April 2012 for all healthcare entities, clearinghouses and associated business partners handling patient/healthcare data in the US.

Growing Communication & Data business

Significant changes have happened in CompuGroup's HCS Communication & Data business over the past 4 years. Whereas the business volume with generic firms has been reduced, this has been partly compensated by increased revenues from original manufacturers. However, revenue declined for 3 years in a row from 2007 to 2010. As the revenue decline in the generics business began to level out, the total revenue in Communication & Data again grew from 2010 to 2011 (6 percent).

Going forward, CompuGroup Medical will continue to develop new Communication & Data products and services for pharmaceutical producers and also for other participants in healthcare. There is an increasing interest among potential buyers in CompuGroup's ability to use computer technology to bring relevant information to doctors.

Status of broader adoption of decision support products

CompuGroup Medical continues to develop its business relationship with health insurance funds in Germany at a slow pace. The product "smart X-Change", a decision support system to safely and systematically drive higher levels of drug substitution to save care costs without sacrificing care quality, has been well received by both doctors and health insurance companies in Germany. The business model of smart X-Change is based on a fixed and variable component and work is still ongoing to evaluate the effects of smart X-Change w.r.t. the variable component. To date, no revenue has been recognized from the variable component of the smart X-Change contracts.

Within diabetes management, the AV+ pilot with AOK Hessen that has been operating since 2007 was discontinued in 2011 whereas the contract with Knappschaft-Bahn-See (KBS) continues with constructive discussions to extend and expand the implementation. Initiatives are currently being taken to broaden the business model for managed care products and services and to consider both doctor's networks and pharmaceutical producers in the value chain. Following regulatory changes, integrated care contracts can be managed by pharmaceutical producers under §140 a-b of the Code of Social Law (SGB – Sozialgesetzbuch) and CompuGroup Medical sees an opportunity to support the pharmaceutical companies in their role as care managers and to develop a business model with pharmaceutical companies as a contractual partner.

The insurance card fraud prevention tool "CardTrust" has achieved a range of positive results for existing clients and the results of this analysis is now being used to more forcefully market this product to other health insurance funds in Germany.

CGM LIFE eSERVICES enable online communication between the medical office and the patient
CompuGroup Medical is one of the first companies in Germany to develop a fully integrated on-line service for medical offices – CGM LIFE eSERVICES. eBooking (online appointment scheduling), ePrescription (online prescriptions), eFindings (online findings inquiries) and eConsulations (online consultations) can be taken care of via the medical office website. A special point of interest for the physician: the data is fully compatible with the Ambulatory Information System they already use. The online services not only represent an innovative additional service for patients, they also lower administrative expenditures and efforts and cut down on phone calls. This results in the entire medical office team having more time for what is really important: patient care. After the conclusion of the pilot program, the CGM LIFE eSERVICES was launched throughout Germany in 2011 and the promotion of this add-on service will continue in 2012.

Laboratory information system now available on the German market
Central medical laboratories are becoming larger and more complex, complimented by trends in point of care testing and proliferation of near-patient laboratories. These developments create even greater urgency for a powerful IT solution to support a smooth internal and external work flow.

CompuGroup recognizes this need and is currently adapting a new laboratory solution for the German market. The basis for this new product is the Laboratory Information System CGM Analytix, which the Company has already successfully installed in several other countries (Sweden, Norway, Denmark, Russia and Malaysia, with more underway). The proven high standard of quality and the user friendly design are the basis for marketing the system internationally. CGM Analytix works comprehensively in all laboratory disciplines, e.g. clinical chemistry, microbiology and pathology. Numerous modules organize automated cross-departmental activities, such as the transportation of samples, communicating orders or the release of findings.

The first customer in Germany is the Protestant Bethesda Hospital in Mönchengladbach and the live operation started at the end of January 2010.

Acquisitions and divestitures

Acquisition of Ascon Software II B.V., Netherlands
In December 2010, CompuGroup Medical concluded a purchase agreement for 100 percent of the shares in Ascon Software II B.V. with effect from 1 January 2011 for the amount of EUR 15.0 million. The purchase price was paid in December 2010 and recognized as a prepayment in intangible assets in the consolidated financial statements.

Euroned, the trading name of Ascon Software, is one of the leaders in the market for ambulatory and pharmacy information systems in the Netherlands. The Company's product MIRA generated enormous growth in recent years. Revenue in 2010 came to around EUR 10.8 million and EBITDA to approximately EUR 2.8 million.

Euroned is headquartered in Echt, South-East Netherlands. At the time of acquisition, the Company employed 80 people and counted 430 pharmacies and 700 physicians among its customers. This corresponds to a market share of around 22 percent for pharmacies and 10 percent for physicians. It is one of only a few suppliers that have been recording annual growth of approximately 10 percent since 2007.

Acquisition of Healthport LLC, USA
In November 2010, CompuGroup Medical AG concluded an agreement for the purchase of the healthcare segment of Healthport. The purchase price for 100 percent of the shares was USD 18 million (EUR 13.4 million). The purchase agreement became effective on 3 January 2011 ("closing"). Healthport LLC was initially consolidated on 1 January 2011.

The segment sells Ambulatory Information Systems, Electronic Health Records (EHR) as well as invoice and cost management services for around 3,600 physicians.

In terms of strategy, Healthport fits very well with CompuGroup Medical USA. The Company's additional customer base will provide the Group with the opportunity to increase its revenue by selling existing and new products. The service, marketing and development strategies perfectly suit CompuGroup Medical's fast-growing business in the USA.

Asset deal Parametrix
In December 2010, CompuGroup Medical entered into an agreement with MCS for the acquisition of all assets of Parametrix AG and Parametrix Deutschland GmbH. The total purchase price of these assets is EUR 4.9 million. Parametrix AG and Parametrix Deutschland GmbH were initially consolidated in January 2011. The Company has 51 employees, is headquartered in Niederwangen near Bern and has a subsidiary in Eltville, Germany. With a market share of around 30 percent of acute care hospitals and about 20 percent of rehabilitation and social facilities, Parametrix is the market leader among the Swiss Hospital Information Systems (HIS).

Acquisition of Lorensbergs Holding AB, Sweden
In January 2011, CompuGroup Medical AG concluded an agreement for the acquisition of Lorensbergs Holding and all its subsidiaries. The purchase price for 100 percent of the shares was SEK 40 million (EUR 4.5 million). Revenue in 2010 was an estimated EUR 3.7 million. The initial consolidation took place on 1 January 2011. Lorensbergs employs 41 people and mainly develops software solutions for occupational health and safety in large companies and corporations, for general practitioners as well as school physicians in Sweden.

Acquisition of Lauer-Fischer GmbH
In June 2011, CompuGroup Medical AG concluded a purchase agreement for the acquisition of Lauer-Fischer GmbH, Fürth, and its subsidiaries. The purchase price for a 75 percent share in Lauer-Fischer GmbH came to EUR 52.5 million. Rights of purchase and sale were also agreed upon for the still outstanding 25 percent of shares. The initial consolidation took place on 30 June 2011. The acquisition of Lauer-Fischer GmbH has provided CompuGroup Medical with a representation in the pharmacy software sector. Lauer-Fischer is one of the leading and most innovative software programmers on the market and covers around 20 percent of all German pharmacies to date. 470 employees developed software and system solutions with a revenue volume of EUR 49.8 million in 2010. Earnings before interest, taxes, depreciation and amortization (EBITDA) according to German commercial law amounted to EUR 9.8 million and earnings before taxes (EBT) to EUR 6.2 million.

Mergers and company name changes

Merger of Alteer Corp and Visionary Healthware, LLC, USA
By merger agreement dated 15 December 2010, Alteer Corp. was merged with Visionary Healthware, LLC in order to pool their business activities in the market for Ambulatory Information Systems and to create synergy effects. The merger became effective on 1 January 2011.

Merger of Soft Aid, Inc., Visionary Medical Systems, Inc. and Visionary Healthware, LLC, USA
By merger agreement dated 15 December 2010, Soft Aid, Inc. and Visionary Medical Systems, Inc. were merged with Visionary Healthware, LLC in order to pool their business activities in the market for Ambulatory Information Systems and to create synergy effects. The merger became effective on 1 January 2011.

Merger of Antek LABDAQ, LLC and Antek Healthware, LLC, USA
By merger agreement dated 30 December 2010, Antek LABDAQ, LLC was merged with Antek Healthware, LLC in order to pool their business activities in the market for Ambulatory Information Systems and to create synergy effects. The merger became effective on 1 January 2011.

Merger of Antek, Inc. and Visionary Healthware, LLC, USA
By merger agreement dated 30 December 2010, Antek, Inc. was merged with Visionary Healthware, LLC in order to pool their business activities in the market for Ambulatory Information Systems and to create synergy effects. The merger became effective on 1 January 2011.

Merger of Antek DAQBILLING, LLC and Visionary Healthware, LLC, USA
By merger agreement dated 15 December 2010, Antek DAQBILLING, LLC was merged with Visionary Healthware, LLC in order to pool their business activities in the market for Ambulatory Information Systems and to create synergy effects. The merger became effective on 1 January 2011.

Mergers in Region Central Europe, subsequent change of legal form and renaming to CompuGroup Medical Deutschland AG
Within the scope of restructuring measures and for the purpose of pooling business activities at Region Central Europe, the merger agreements for ISPro GmbH, telemed GmbH, Albis Ärzteservice Product KG and Albis Verwaltungs-GmbH were signed on 1 February 2011. In addition, the merger agreements for the companies CompuGroup Medical Deutschland GmbH, CompuGroup Medical Arztsysteme KG and CompuMed Verwaltungs GmbH, vita-X AG were signed on 4 April 2011. On 15 August 2011, the merger agreement for INMEDEA GmbH was signed.

All of these companies were merged with CompuGROUP Beteiligungsgesellschaft mbH.

During the further course of 2011, the legal form of CompuGROUP Beteiligungsgesellschaft mbH was changed to a German stock corporation (Aktiengesellschaft – AG) and the company was renamed to CompuGroup Medical Deutschland.

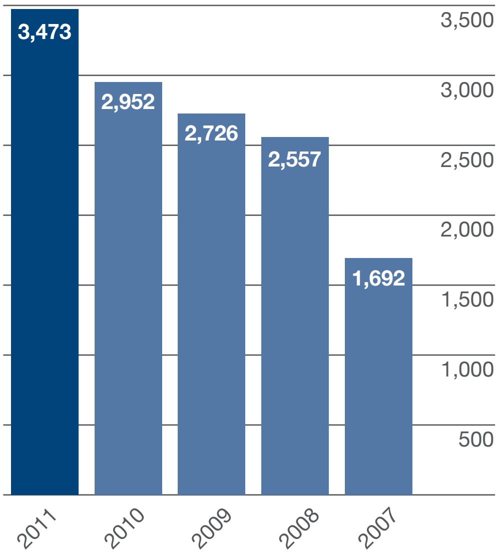
Mergers in Region Central Eastern Europe and subsequent company renaming
As per merger agreement dated 13 January 2011, effective 1 April 2011, CompuGroup Slovensko spol. s.r.o. was merged with Erudis CGM s.r.o. so as to pool business activities in the Slovenian market. Erudis CGM s.r.o. was subsequently renamed to CompuGroup Medical Slovensko s.r.o.

Mergers in Region North America
As per merger agreement dated 12 December 2011, effective 31 December 2011, eMedix Reimbursement Services LLC, Noteworthy Systems Inc., U.S.M.D. LLC, Visionary Healthware LLC, Visionary RCM LLC, Antec Healthware LLC, CompuGroup Medical S.c. LLC, and American Healthcare Holdings Inc. were merged with CompuGroup Medical Inc. (by way of interim mergers).

Procurement

Procurement focuses on the purchase of software components and services. For intercompany purposes, the necessary investments primarily pertain to equipping the employees with EDP systems as well as the expansion or replacement of network components and telecommunication systems. The significant suppliers and service provider partners are subject to regular monitoring within the scope of the quality management system.

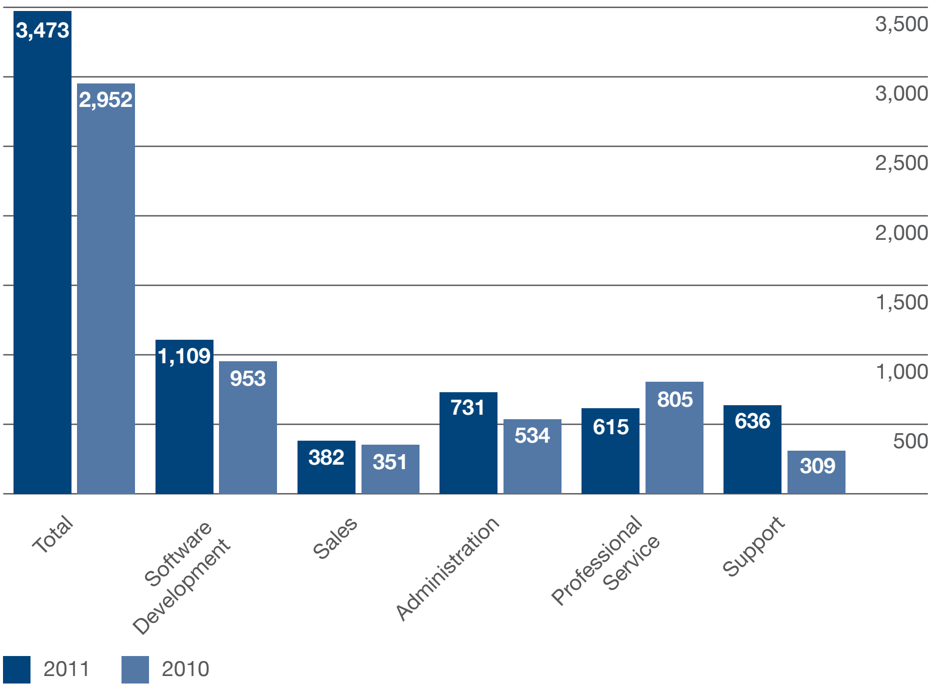
Employees
At year-end 2011, CompuGroup Medical employed 3,473 persons worldwide. Compared to the previous year, this reflects an increase of 521 employees or 17 percent. With regard to the development in the number of employees for the period 2007 to 2011, the average increase was approximately 20 percent per year.



In Germany alone, CompuGroup Medical had 1,691 employees in the 2011 financial year, representing 48 percent of the total number of employees worldwide.

A significant part of human resources management within the Group involved integrating newly hired employees in the Group of companies. In 2011, 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.



Non-financial performance indicators

Sustainability of business activities

At CompuGroup Medical, sustainability stands for creating and ensuring long-term values. Particularly long-term customer relationships, innovative technology, strategic cooperation partnerships, investments in the acquisition of new companies to ensure further growth, and the employees' knowledge and expertise are values that last over many years. These sustainable values form the basis for a trusting relationship with all stakeholders.

Long-term customer relationships – customer satisfaction

Another significant success factor for CompuGroup Medical is customer satisfaction. At present, the Group has approximately 385,000 customers (physicians, dentists, pharmacists and other healthcare service providers). The access to such a high number of participants in the health sector in the European healthcare market is unique. To maintain customers' confidence in the future, the Company reviews Group-wide customer-related key figures and indicators containing information concerning the acceptance and popularity of individual products, customer loyalty and satisfaction with services and the standards of quality provided. Internal surveys show that the average customer churn rate is between 4 percent and 5 percent, reflecting an average customer retention time of about 20 to 25 years.

Innovative technology

The continuous development of its technological and innovative leadership is at the core of CompuGroup Medical's sustainable strategy. Software development usually is a central CGM Group task. Please refer to the detailed information in the "Research & Development" section.

Strategic cooperation and investments with view to acquire new companies

The Company's strategic goal is to further expand its position as a leading supplier of IT solutions for the healthcare sector. The primary way of achieving this objective is by acquiring new companies. For years, acquisitions have been providing the Group with a basis on which to build its strategy. More information can be found in the section "Acquisitions, investments and divestitures".

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. For two years, divided into four semesters, the participants receive training and further education in key management qualifications.

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 training programs. The effectiveness of the training programs is also analyzed and measures taken to increase quality.

Employee satisfaction indicators and social commitment

Employee absenteeism due to illness remained at a constantly low level worldwide throughout the Group in the 2011 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.

The low employee turnover in CompuGroup Medical is a clear indication of the Company's attractiveness, especially in light of the increasing competition for specialists and managers. Due to this low turnover rate, the Group has an experienced management team frequently ranging into the second and third management level and able to look back on many years of employment with the Company.

Since its opening on 4 September 2009, the childrens' daycare center has met with very high acceptance, with all 32 places in this comprehensive facility being occupied as of 31 December 2011. Six experienced teachers look after the children.

Research & Development

Software development at CompuGroup Medical 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, 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 that clearly separates business logic from the user interface, as well as the development of a new international Hospital Information System following a structure similar to the development of the new generation of information system for physicians and dentists. 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 Customer Relationship Management (CRM) software specifically for the use of the Group and Enterprise Resource Planning (ERP) software.

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 the currently most up to date 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 adapted to the individual CompuGroup Medical 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. The Company is accordingly driving the establishment of a central development department for back-end solutions in the area of Health Provider Services (HPS). In contrast, developing and updating the front-end area will remain the responsibility of the subsidiaries.

The Company is already anticipating that, despite maintaining a multi-brand strategy in the HPS segment, it will shortly be able to generate synergy effects during development. The platform products are already being developed in accordance with this principle.

Capitalized in-house services
In accordance with the provisions of IAS 38, the development work for capitalized in-house services (approximately 215,000 hours) is capitalized as an asset, which had a EUR 6.4 million effect on CompuGroup Medical’s result in 2011 (previous year: EUR 7.0 million). 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 (around 1,200,000 hours) has generated costs in the current year. This mainly involves 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. Currently, 1,009 Group employees work in software development.

4. Take-over Related Disclosures According to Section 315 (4) HGB

Composition of subscribed capital
The share capital of CompuGroup Medical AG is EUR 53,219,350 and is subdivided into 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 3,216,261 shares, there is voting capital of 50,003,089 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 11,900,623 shares to the share pool, reflecting 23.80 percent of shares with voting rights. The purpose of both pooling agreements is, among other things, to safeguard a consistent exercise of the voting rights with respect to the shares of CompuGroup Holding AG. Both pool contracts set out to ensure equal treatment of voting rights of both pools for shares of CompuGroup Medical AG. Frank Gotthardt as well as GT1 Vermögensverwaltung GmbH are holding 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 53.76 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, General Atlantic LLC holds 4,480,053 of the shares with voting rights. Based on all shares with voting rights, this results in a shareholding of 8.96 percent (previous year: 14.29 percent) for General Atlantic LLC. General Atlantic LLC therefore fell below 10 percent of voting rights for the first time since 2003.

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 133 and 179 AktG are to be applied to amendments to the articles of association.

Powers of the Management Board for issuance and repurchase of shares

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.

In accordance with a resolution by the Annual General Meeting on 14 May 2009, the Management Board was authorized to acquire Company 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 (1) No. 8 AktG, which was amended by the Law on the Implementation of the Shareholder Rights Directive (Gesetz zur Umsetzung der Aktionärsrechterichtlinie – ARUG), an authorization is now allowed to last up to five years.

In accordance with a resolution of the Annual General Meeting of 14 May 2009, the Company was authorized to purchase up to 10 percent of the share capital in accordance with Section 71 (1) No. 8 AktG. At no time may the purchased shares, together with the other treasury shares, which the Company holds or is due according to 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 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 cancellation requiring an additional 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 the equity is not reduced, but instead the percentage of the other shares in the 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).

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 Handelsgesetzbuch (HGB – German Commercial Code), we herewith make a nil report with the following exception:

In addition to the terms according to which Christian B. Teig is granted share options, as mentioned in the compensation report for members of the Board, said share options are subject to a “change of control” clause. Christian B. Teig may exercise the 375,000 share options immediately during his four-year appointment period, if the Company experiences a “change of control” during this time. A “change of control” is defined as follows: Frank Gotthardt and his family control less than 30 percent of the Company shares or another natural or legal person controls a larger number of Company shares than Frank Gotthardt and his family.

5. Share Repurchase Program

In 2011, CompuGroup Medical AG bought back a total of 225,553 shares or around 0.424 percent of equity capital at an average price of EUR 8.3033, corresponding to a total of EUR 1,872,827.45. At the end of the share repurchase program, CompuGroup Medical AG held 3,216,261 treasury shares or 6.04 percent of equity capital.

6. Compensation Report

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. Criteria for the reasonableness of the compensation are in particular the responsibilities of the particular Management Board member, his or her personal performance, and the economic situation of the enterprise. In addition, the success and future prospects of the enterprise 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 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. Loans or advances were not made to members of the Management Board during the reporting year. The amount of the results-dependent compensation component depends on individually agreed goals.

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.

In addition to the fixed salary, the variable compensation components (management bonus) and the fringe benefits, the following compensation agreements were entered into contractually with Christian B. Teig:

Christian B. Teig holds an option to purchase CompuGroup shares amounting to 375,000 shares, the duration of which is linked to his term of office as Director (94,000 accrue after 12 months, 188,000 accrue after 24 months, 282,000 accrue after 36 months and 375,000 after 48 months). Christian B. Teig can exercise the option within two months following the 48th month of his term of office as Director. Should Christian B. Teig resign voluntarily from the Company prior to the end of the vesting period, he may only exercise the options that have accrued to that date. If after the first six months and before the end of the four-year period Christian B. Teig is dismissed on reasons that do not lie with any breach of contract on his part then he may exercise the option to purchase the full 375 thousand shares within two months of leaving the Board. The exercise price of the stock options is EUR 5.50. The fair value of an option on its grant date was EUR 1.25 per option.

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. At the same Supervisory Board meeting, the Company extended Christian B. Teig’s Management Board contract. This extension did not lead to any changes in Christian B. Teig’s compensation as a member of the Management Board in the 2011 financial year. The two-month exercise period for share options was extended to a four-year period.

The variable compensation of the Chairman of the Management Board Frank Gotthardt is measured in relation to consolidated EBITDA. The Management Board members Uwe Eibich and Christian B. Teig receive variable compensation tied to a previously agreed target. 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. In the case of Uwe Eibich’s contract being terminated early within the contractual period from 1 January 2010 to 31 December 2012, he will receive EUR 200,000 (gross) compensation. The fringe benefits for Christian B. Teig and Uwe Eibich include the non-cash benefit of the use of a car.

Management Board Compensation 2011

Name	Fixed salary EUR	Management bonus obtained EUR	Fringe benefits EUR	Total compensation EUR
Gotthardt, Frank	600,000	1,095,000	0	1,695,000
Eibich, Uwe	200,000	221,333	10,997	432,330
Teig, Christian B.	200,000	200,000	0	400,000
	1,000,000	**1,516,333**	**10,997**	**2,527,330**

Comparison: Management Board Compensation 2010

Name	Fixed salary EUR	Management bonus obtained EUR	Fringe benefits EUR	Total compensation EUR
Gotthardt, Frank	600,000	1,005,000	0	1,605,000
Broer, Jan	150,000	100,000	21,428	271,428
Eibich, Uwe	200,000	178,000	10,054	388,054
Teig, Christian B.	200,000	200,000	0	400,000
Prof. Dr. Winter, Stefan	83,333	40,000	625,196	748,529
	1,233,333	**1,523,000**	**656,678**	**3,413,011**

Compensation of the Supervisory Board

The appointments of Management Board members Prof. Dr. Klaus Steffens, Dr. Klaus Esser, Dr. Daniel Gotthardt and Prof. Dr. Rolf Hinz, who were also elected as shareholder representatives, expired at the end of the Annual General Meeting on 11 May 2011. The elections for Supervisory Board membership complied with the German Corporate Governance Code and each member was elected individually. According to the proposal of the Supervisory Board, Prof. Dr. Klaus Steffens, Dr. Klaus Esser, Dr. Daniel Gotthardt and Prof. Dr. Rolf Hinz were elected for another term ending with the conclusion of the Annual General Meeting that votes on the approval of the Management Board's actions in the 2013 financial year. This shortened term was determined by a vote in accordance with Section 10 (2) of the CompuGroup Medical AG's articles of association.

The compensation of the Supervisory Board was established by the Annual General Meeting and is regulated in 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. Furthermore, there was no change in the composition and functions of the Supervisory Board in the 2011 financial 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 60,000, while all other members receive EUR 40,000 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 2011

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

Supervisory Board Compensation 2010

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

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.

7. Risk Report

As an internationally operating Company, CompuGroup Medical is subject to a variety of different risks that are linked directly to active entrepreneurial actions. CompuGroup Medical is aware of the necessity to enter into risks, which also enable the Company to make use of presented opportunities. As the manufacturer and provider of software products and individual services for the healthcare sector, the Group is only subject to a minimum level of economic fluctuation. Moreover, the Group's technological expertise as well as its broad customer base and its extensive market knowledge form a durable foundation, making it possible to assess risks as early and as accurately as possible and to minimize them.

Risk management is understood by CompuGroup Medical as an ongoing endeavor to recognize, analyze and evaluate the extent of potential and actual developments and – to the extent possible – to take measures to reduce the risk factors to a minimum. CompuGroup Medical's risk management principles, which are seen as an important part of managing the Group, have been organized in a set of fixed guidelines that are to be applied uniformly across the Group. They should enable management to identify, at an early stage, risks that could endanger the growth or the continued existence of CompuGroup Medical and minimize their effects to the greatest extent possible.

The Group's established controlling systems (risk management system) form the risk management foundation with respect to the monitoring of operational as well as strategic risks. The responsible risk manager submits a risk report to the Management Board on a quarterly basis. The report contains qualitative and quantitative assessments with regard to the probability of occurrence and the potential financial loss resulting from the identified risks that could have a detrimental effect on the Company. The Management Board will be informed immediately of any new risks identified during the year. High-quality reporting is the central basis for monitoring and management, as it facilitates prompt implementation of preventative measures. In this way, management of CompuGroup Medical is informed monthly and quarterly on the operational and non-operational business, and receives analyses of the assets, financial position and results. The following risk has been communicated to the Management Board:

Strategic Risks

Strategic risks are understood by CompuGroup Medical as risks, which can endanger the target achievement due to an insufficient orientation of the Company to the respective market environment. Strategic risks may therefore result from an inadequate strategic decision-making process, due to 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 regularly 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, additional costs for product development would occur for CompuGroup Medical driven by products and services that are quickly becoming obsolete, which could lead in adverse effects on net results.

Macroeconomic risks

The products and services offered by CompuGroup Medical are currently marketed in 33 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 as remedy 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.

Operational risks

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, 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.

Data protection

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.

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.

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 are of great importance. Markets cannot be established 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 get into the possession of third parties so that these 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

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 15 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 basically 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 amendments in the 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.

Because of 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.

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.

In the accounts of CompuGroup Medical, deferred tax assets on losses carried forward are considered. Future tax relief resulting from the utilization of tax losses carried forward is accounted for under IFRS as an asset. If profits that may be considered to utilize these losses are not achievable in the future, the approach of deferred tax assets has to be reduced in part or in full. Furthermore, possible future developments in legislation could have the effect that the deferred tax assets have to be reversed in part or in full.

CompuGroup Medical cannot exclude 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 sufficient provisions. CompuGroup Medical recognized provisions for general risks from ongoing tax audits.

Personnel risks

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 and 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 arises in the case of newly acquired companies.

Risks from project business

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 thus long-term product life cycle, the area of Hospital Information Systems (HIS) is especially exposed to the risk that lucrative new business may require a long-term approach. 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.

Overall risk evaluation

CompuGroup Medical AG and all its subsidiaries use a standard risk analysis and risk management method. This approach is the organizational basis for ensuring the risks are detected at an early stage. Risks are quantified according to the same standard by measuring their impact on EBITDA and/or cash flow.

CompuGroup Medical takes account of risks with a high probability of occurrence by implementing operational measures and recognizing provisions and impairment losses. Risks that may impact the Company as a going concern were not evident, neither in the form of individual risks nor from a total risk perspective for CompuGroup Medical as a whole.

Disclosures pursuant to Section 315 (2) No. 5 HGB

The following disclosure of the financial reporting process is made in accordance with 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 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. The control of regional-covering and sector-covering key functions occurs centrally through the CompuGroup Medical AG. Operational active subsidiaries have a high level of own responsibility. A clear separation of the functionalities of the areas "Group Accounting", "Controlling", "Financial Accounting", "Human Resource", "Internal IT", "Risk Management", "Procurement", "Financial Planning & Analysis" and "Investor Relations", which are involved in the financial reporting process, is implemented with clearly defined responsibilities.
- The departments which are involved in the financial reporting process are in line with the quantitative and qualitative requirements defined by the Group.
- An internal written directive according to Company requirements is implemented (among others a Group-wide accounting directive, risk management directive and research and development directive). The used financial systems are protected against unauthorized access by adequate security mechanisms. The financial systems used are essentially 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.
- A review of the financial reporting process is performed in the form of revisions an internal revision department has not been established so far.
- Required financial reporting processes are subject to regulated analytical tests. The Group-wide risk management system is regularly updated to current developments and reviewed on adequacy in terms of quantity and quality. The risk management system is subject to the audit of the consolidated financial statements through our chartered accountants from PricewaterhouseCoopers AG, Frankfurt.
- For key issues in accounting, risk management and the audit mandate of the auditor, the Supervisory Board has established an Audit Committee.

For all financial reporting processes, a "four-eye principle" is applied.

The accounting-related internal control and risk management system, whose main features have been described above, 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 Management Board and Supervisory Board and is also audited by an independent auditor.

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; both personnel and material. Legal and corporate directives and guidelines ensure that within the accounting-related areas a unified and proper financial reporting process is implemented. The clear delineation of responsibilities and various control and verification mechanisms ensure correct accounting and a reliable dealing with 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, to assess and communicate them appropriately.

8. Significant Post Balance Sheet Events

Share repurchase program

On 2 January 2012, CompuGroup Medical AG launched a share repurchase program for up to 500,000 shares. The program will expire by 30 June 2012 at the latest.

A total of 101,835 shares at an average price of EUR 8.8488 were repurchased until 7 March 2012, the date on which the consolidated financial statements were approved. On the same date, the number of treasury shares amounted to 3,318,096.

Acquisition of Microbais Werkmaatschappij B.V., Netherlands

In January 2012, CompuGroup Medical AG concluded an agreement for the acquisition of all shares in Microbais Werkmaatschappij B.V. Microbais is one of the leaders in the Dutch market for ambulatory and pharmacy information systems. Revenue in 2011 is expected to come to approximately EUR 11.2 million and EBITDA to around EUR 2.5 million. The purchase price is roughly EUR 15.0 million and is being financed from cash and cash equivalents and existing credit lines. Microbais has around 90 employees and headquarters in Amsterdam. The company's customer base includes approximately 475 pharmacies and 150 physicians' offices. This corresponds to a market share of around 25 percent for pharmacies and 4 percent for physicians in private practice in the Netherlands. This acquisition expands CompuGroup Medical's market share in the Netherlands to around 45 percent of pharmacies and 15 percent of ambulatory information systems. CompuGroup Medical aims to provide customers with access to its international product platform so they can benefit from the numerous intelligent software assisted medicine (SAM) solutions that are global leaders in terms of innovation and security. As part of the transaction, CompuGroup Medical also receives a 51 percent majority share in MediPharma Online, a startup company in the field of networking between patients and pharmacies.

Acquisition of Effepieffe srl., Italy

In January 2012, CompuGroup Medical AG signed a purchase agreement for the acquisition of all shares in Effepieffe srl. via its subsidiary CompuGroup Medical Italia S.p.A. Effepieffe's revenue in 2011 came to around EUR 1.2 million and EBITDA to roughly EUR 0.5 million. The purchase price for 100 percent of the shares amounts to EUR 3.4 million. The company also holds options to purchase the remaining shares amounting to EUR 1.0 million. The company counts approximately 8,000 general practitioners among its customers and is the third-largest ambulatory information system provider in Italy. This latest acquisition is another step toward continuously expanding CompuGroup Medical's position in the Italian market. Since its market entry in 2006, the company is consistently pursuing a growth strategy and today is the market leader in Italy in the field of primary care with a share of around 40 percent. Effepieffe's strategy focuses on the North Italian market. A majority of its customers are based in the area around the company headquarters in Milan.

9. General Economic Conditions

Global economic development

The global economic recovery started to slow down in 2011. After growing by a considerable 5.1 percent in 2010, the global economy only managed to gain 3.8 percent in the past year. A steep rise in raw material prices and the impact of the earthquake in Japan are behind the slow growth rate in the first half of 2011. Once these effects abated, the global economy was negatively influenced by the effects of the sovereign debt crisis in the Eurozone. Uncertainties about the state of the financial sector and the discussions about financial policies in the USA as well as surprisingly slow momentum in the emerging markets all contributed to a slowdown of the global economy.

According to World Bank reports, the global economy is expected to grow by just 2.5 percent in 2012 and by 3.1 percent in 2013. Any growth below 3 percent is generally regarded as recession in terms of the entire global economy. In highly developed countries, growth is expected to reach 1.4 percent. In a negative scenario, even these poor results may not be achievable as the downturn in Europe and slow growth in the emerging markets could impact each other more significantly than anticipated. Such developments could lead to even poorer results and further reduce confidence in the markets. Furthermore, medium-term problems caused by the high debt and slow growth trends in many highly developed countries have not yet been resolved and could therefore cause unexpected negative effects.

European economic growth has almost come to a standstill in the wake of the European debt crisis. In 2011, gross domestic product (GDP) went up by 1.6 percent, considerably less than in 2010, when growth amounted to 2.0 percent. The sovereign debt crisis, turbulences in the financial markets and the economic slump are the main reasons for this stagnating growth.

The German economy grew by 3.0 percent according to the Federal Statistical Office (Statistisches Bundesamt), meaning that growth in 2011 was almost as strong as in the previous year despite the euro and debt crisis. Rising consumer spending, an increased investment volume and a strong export sector all contributed to this positive economic performance.

The EU Commission warns that there is a risk of recession in 2012 and economic growth is expected to be as little as 0.6 percent.

According to information provided by the IMF on economic trends in Europe, it forecasts a 2.7 percent rate of inflation for the European Union in 2011. The IMF anticipates the rate of inflation to drop to 1.9 percent in 2012 and prices to increase by 2.3 percent to 1.7 percent in the Eurozone. It predicts that the rate of inflation in Germany will be 1.5 percent in 2012. This figure would be below 2 percent, meaning that prices would be stable in the eyes of the ECB. This forecast is based on IMF's assumption that the food and energy price hikes are only of a temporary nature and will not result in permanent inflation due to secondary effects. In the opinion of the IMF, there is not much of a visible price/wage spiral, meaning that monetary policies could continue to support the economy with low interest rates.

Industry development

According to the OECD, industrialized countries already spend more than 10 percent of their gross domestic product on healthcare. By 2020, this share could increase to 16 percent, due above all to demographic changes, technological progress and stronger health awareness among the population. Improving the efficiency and affordability of healthcare systems is and will remain a considerable economic challenge for governments around the world.

According to information provided by the high-tech organization BITKOM, based on forecasts by the European Information Technology Observatory (EITO), the global IT market (hardware, software, IT services) will grow by 4.3 percent to EUR 963.4 billion in 2011. In 2012, growth is expected to accelerate further and EITO forecasts a rise of 5.4 percent, meaning that the revenue barrier of EUR 1 billion will be breached for the first time. Apart from the strongest regions, the USA and European Union, the growing IT demand is driven by the large emerging markets China (11.3 percent growth to EUR 55 billion), Russia (14.5 percent growth), India (14.5 percent growth to EUR 15.1 billion) and Brazil (8.7 percent growth to EUR 23.4 billion).

Based on the estimates of the European Union, the German e-health market can be expected to amount to around EUR 6.5 billion at present. Experts anticipate around 10 percent annual growth in the coming years. In addition, modern information and communication technologies in the healthcare sector (also known as healthcare information technology or HIT for short) will play an important role in achieving future sector growth. Government investments in Europe and the USA, such as the USD 19 billion spent under the US HITECH Act, prove this point. According to an EU study, healthcare IT is the strongest growing segment within the healthcare sector with an estimated volume of EUR 20 billion, corresponding to 2 percent of total healthcare spending. This enormous future potential is also reflected in the forecast of the US market research organization "Markets and Markets", which anticipates annual growth of the healthcare information technology market to keep rising by 16 percent up to a global market volume of USD 54 billion in 2014.

According to the study by US-Healthcare IT Market Analysis [2011], the healthcare IT market is expected to grow to USD 40 billion by the end of 2011. It will be impossible to achieve this growth with healthcare reforms and the introduction of e-healthcare systems alone – demand among the population must also be high and more people must be able to afford such high-quality services.

The US healthcare IT market is expected to grow at a compound annual growth rate (CAGR) of around 22.5 percent between 2012 and 2014, according to a RNCOS study. This growth should mainly be achieved by increasing the use of electronic health records (EHR) among physicians, government-subsidized health IT investment incentives and the active involvement of private players in industrial development. The global electronic health record market volume is likely to almost double to USD 10 billion by 2015.

The US healthcare information technology (HIT) market has been growing at an enormous pace in the past years as a result of numerous new product launches and rapidly advancing industry standards. With the increasing enthusiasm for cloud computing, the US HIT market is just about to break new records. In such an environment, private and public investors can act as a driving force behind the launch of new technology.

The mobile healthcare market grew by around 17 percent year-on-year and is estimated at USD 2.1 billion by the end of 2011. According to the study, the mobile healthcare market is expected to grow at almost 22 percent annually between 2012 and 2014.

Overall, it can be said that the healthcare IT market is regarded as a growth market by all studies worldwide. CompuGroup Medical is well positioned and will profit from this trend.

10. Outlook

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, which amounts to EUR 290 million at the beginning of 2012, compared to EUR 227 million at the beginning of 2011.

In terms of total Group revenue, the growth rate is expected to be 11-15 percent in 2012, of which 3-6 percent is expected to be organic growth. For the consolidated Group, the operating margin (EBITDA) is expected to improve compared to the previous two years and end up in the 22-23 percent range for 2012. In summary, CompuGroup Medical offers the following guidance for 2012:

- Revenue is expected to be in the range of EUR 440 million to EUR 460 million.
- Operating income (EBITDA) is expected to be in the range of EUR 95 million to EUR 105 million.

In the HPS segment, there will be a significant effect from the first time consolidation of acquired companies. This is expected to give a Group-level growth contribution of around 9 percent, of which about 6 percent is expected within Pharmacy Information Systems (PCS) and the remaining 3 percent within Ambulatory Information Systems (AIS). The inorganic growth in PCS comes from the acquisition of Lauer-Fischer in Germany (June 2011) and in AIS from the acquisition of Microbais in The Netherlands (January 2012) and Effepieffe in Italy (February 2012). Organic growth in the HPS segment is expected to be similar to the Group average (3-6 percent), with above average growth in AIS and a flat year-on-year development in Hospital Information Systems (HIS). The organic growth in AIS primarily stems from new value-added products and services sold to existing customers. Within HIS, the contract with the Vienna Hospital Association in Austria and other key projects are now proceeding according to the revised plans that were introduced during 2011. However, the relatively slow market for add-on projects and new clients experienced during 2011 is expected to continue also in 2012. In terms of operating expenses and profitability, the HPS segment is expected to show a clear improvement in 2012 compared with the previous fiscal year. Special one-off transaction expenses and restructuring costs related to the Lauer-Fischer acquisition, which significantly added to the operating expenses in 2011, will not be incurred in 2012.

The cost base in the United States was significantly reduced during 2011 through the consolidation and merger of acquired companies, and cost synergies have been realized through the integration of Lauer-Fischer. The sum of these cost and efficiency improvements within the HPS segment amounts to a reduced cost base of approximately EUR 15 million in 2012 compared with 2011. Because of the scalable nature of the HPS business, the revenue coming from organic growth in 2012 is expected to give a high incremental operating profit contribution of about 50 percent.

In the HCS segment, no acquisitions have been made in the previous fiscal period. Organic growth in 2012 is expected to be similar to the Group average (3-6 percent). Sales of products and services to health insurance companies in Germany developed at a slow pace in 2011 and this is expected to continue also in 2012 with a flat year-on-year development.

Within Communication & Data, the positive trend in sales to pharmaceutical producers seen in 2011 is expected to continue in 2012 with growth coming both from Germany and from other European markets. Internet Service Provider revenue is also expected to show above average year-on-year growth driven by new subscribers of Internet connections and sales of associated data security products and services, especially in Germany. Because of the scalable nature of the HCS business, the revenue coming from organic growth in 2012 is expected to give a high incremental operating profit contribution of about 50 percent.

Depreciation of fixed assets is on Group level expected to be approximately EUR 8 million in 2012 and amortization of intangible assets is expected to be approximately EUR 30 million, of which EUR 26 million will come from amortization of purchase price allocations related to past acquisitions. The corresponding Group earnings before interest and tax (EBIT) is in 2012 expected to be in the range of EUR 57 million to EUR 67 million.

The foregoing outlook is given as at February 2012 and does not include revenue and costs associated with potential and currently undetermined further acquisitions during 2012. The outlook for 2012 represents management's best estimate of the market conditions that will exist in 2012 and how the business segments of CompuGroup Medical will perform in this environment.

Looking at the fiscal year 2013, CompuGroup Medical expects to continue organic revenue growth and for EBITDA and Group earnings after taxes to record above-average growth compared to revenue. As a market leader in Europe, and with an increasingly 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.

Consolidated Statement of Financial Position

as at 31 December 2011

Assets

	Notes	31.12.2011 EUR ´000	31.12.2010* EUR ´000
Non-current assets			
Intangible assets	(1)	458,776	380,733
Property, plant and equipment	(2)		
Land and buildings		26,358	22,976
Other facilities, furniture and office equipment		14,645	13,158
Assets under construction		9,197	2,944
Financial assets	(3)		
Interests in affiliates (valued at equity)		971	949
Other investments		105	105
Trade receivables	(6)	8,404	0
Other financial assets	(7)	9,726	9,690
Deferred taxes	(4)	5,851	6,109
		534,033	**436,664**
Current assets			
Inventories	(5)	3,666	1,318
Trade receivables	(6)	61,354	45,743
Other financial assets	(7)	6,730	5,624
Other non-financial assets	(8)	8,776	9,152
Income tax claims	(4)	1,698	4,600
Securities (recognized as profit or loss at fair value)	(9)	178	73
Cash and cash equivalents	(10)	23,979	42,180
		106,381	108,690
Non-current assets qualified as held for sale	(11)	300	300
		106,681	**108,990**
		640,714	**545,654**

Shareholders Equity and Liabilities

	Notes	31.12.2011 EUR ´000	31.12.2010* EUR ´000
Shareholders equity	(12)		
Subscribed capital		53,219	53,219
Treasury shares		-16,257	-14,384
Reserves		131,169	143,733
Capital and reserves allocated to the shareholder of the parent company		**168,131**	**182,568**
Minority interests		71	332
		168,202	**182,900**
Non-current liabilities			
Pensions	(13)	5,765	2,575
Liabilities to banks	(14)	233,996	191,432
Purchase price liabilities	(15)	16,150	6,675
Derivative financial instruments	(18)	6,290	0
Other financial liabilities	(18)	4,347	3,297
Other non-financial liabilities	(18)	1,840	1,930
Deferred taxes		51,838	39,085
		320,226	**244,994**
Current liabilities			
Liabilities to banks	(14)	35,746	25,296
Trade payables	(16)	21,182	15,224
Income tax liabilities	(4)	15,146	10,507
Provisions	(17)	22,685	14,805
Purchase price liabilities	(15)	22,512	17,316
Other financial liabilities	(18)	7,926	8,630
Other non-financial liabilities	(18)	27,089	24,673
Derivative financial instruments	(18)	0	1,309
		152,286	**117,760**
		640,714	**545,654**

* Adjustment of prior-year figures (See notes section “B. General Principles”)

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

Total Comprehensive Income Statement

of the year 2011

	Notes	2011 EUR ´000	2010* EUR ´000
Sales revenue	(19)	396,564	312,374
Capitalized in-house services	(20)	6,474	6,993
Other income	(21)	3,937	4,549
Expenses for goods and services purchased	(22)	-74,392	-58,980
Personnel expenses	(23)	-190,608	-144,326
Other expenses	(24)	-68,910	-53,575
Earnings before interest, taxes, depr. and amortization (EBITDA)		73,065	67,035
Depreciation of property, plants and tangible assets	(25)	-6,317	-5,114
Earnings before interest, taxes and amortization (EBITA)		66,748	61,921
Amortization of intangible assets	(25)	-30,093	-28,719
Earnings before interest and taxes (EBIT)		36,655	33,202
Results from associates recognized at equity	(26)	22	213
Financial income	(27)	4,826	3,271
Financial expenses	(27)	-16,305	-10,156
Earnings before taxes (EBT)		25,198	26,530
Income taxes for the period	(28)	-15,927	-9,742
Consolidated net income of the period		**9,271**	**16,788**
of which: allocated to parent company		9,159	16,629
of which: allocated to minority interests		112	159
Other results			
Cashflow Hedges			
of which: in equity		-6,666	0
of which: income		376	0
Deferred taxes on cash flow hedges		1,865	0
Currency conversion differences		-2,169	412
Total result of the period		**2,677**	**17,200**
of which: allocated to parent company		2,565	17,041
of which: allocated to minority interests		112	159
Earnings per share	(29)		
undiluted (EUR)		0.18	0.33
diluted (EUR)		0.18	0.33
Further information of the company			
Cash Net Income**		35,759	41,922
Cash Net Income per Share (EUR)**		**0.72**	**0.83**

* Adjustment of prior-year figures (See notes section “B. General Principles”)
** 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 statement)

Changes in Consolidated Equity

	Parent company						Minority interests	Consolidated equity
	Share capital EUR ´000	Treasury shares EUR ´000	Currency conversion EUR ´000	Cashflow Hedges EUR ´000	Other reserves EUR ´000	Total EUR ´000	EUR ´000	Total EUR ´000
Balance as at 31.12.2009	**53,219**	**-14,384**	**-8,815**	**0**	**154,998**	**185,018**	**810**	**185,828**
Group net income	0	0	0	0	16,629	16,629	159	16,788
Other results								
Currency conversion differences	0	0	412	0	0	412	0	412
Total result of the period	**0**	**0**	**412**	**0**	**16,629**	**17,041**	**159**	**17,200**
Transactions with share holders								
Dividend distribution	0	0	0	0	-12,557	-12,557	0	-12,557
Stock option program	0	0	0	0	55	55	0	55
Additional purchase of shares from minority interests after control	0	0	0	0	-6,989	-6,989	-637	-7,626
	0	0	0	0	-19,491	-19,491	-637	-20,128
Balance as at 31.12.2010*	**53,219**	**-14,384**	**-8,403**	**0**	**152,136**	**182,568**	**332**	**182,900**
Group net income	0	0	0		9,159	9,159	112	9,271
Other results								
Cashflow Hedges	0	0	0	-4,425	0	-4,425	0	-4,425
Currency conversion differences	0	0	-2,169	0	0	-2,169	0	-2,169
Total result of the period	0	0	-2,169	-4,425	9,159	2,565	112	2,677
Transactions with shareholders								
Dividend distribution	0	0	0	0	-12,557	-12,557	0	-12,557
Stock option program	0	0	0	0	41	41	0	41
Additional purchase of shares from minority interests after control	0	0	0	0	-2,613	-2,613	-374	-2,987
Purchase of own shares	0	-1,873	0	0	0	-1,873	0	-1,873
	0	-1,873	0	0	-15,125	-17,002	-374	-17,376
Balance as at 31.12.2011	**53,219**	**-16,257**	**-10,572**	**-4,425**	**146,166**	**168,131**	**71**	**168,202**

* Adjustment of prior-year figures (See notes section "B. General Principles")

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

Consolidated Cash Flow Statement

	31.12.2011 EUR ´000	31.12.2010* EUR ´000
Group net income	9,271	16,788
Amortization of intangible assets, plant and equipment	36,410	33,833
Earnings on sales of fixed assets	-1,855	28
Change in provisions (including income tax liabilities)	7,564	4,366
Change in deferred taxes	-4,527	-1,583
Other non-cash earnings	-479	-2,346
	46,384	**51,086**
Change in inventories	34	1,918
Change in trade receivables	274	-10,307
Change in other assets	828	-2,588
Change in income tax receivables	3,832	1,240
Change in securities (valued at actual cash value)	69	-38
Change in trade accounts payable	831	-2,704
Change in other short-term liabilities	-5,026	57
Change on other long-term liabilities	-490	911
Cash flow from operating activities	**46,736**	**39,575**
Cash inflow on disposals of sales of property, plant and equipment	643	1,238
Cash outflow for capital expenditure in property, plant and equipment	-12,368	-7,455
Cash inflow on disposals of intangible assets	849	95
Cash outflow for capital expenditure in intangible assets	-10,513	-11,160
Disposal of subsidiaries less cash transferred	486	0
Cash outflow for the acquisition of subsidiaries from prior periods	-5,831	-8,595
Purchase of subsidiaries less acquired cash and cash equivalents	-71,669	-61,644
Cash flow from investing activities	**-98,403**	**-87,521**
Purchase of own shares	-1,873	0
Dividends paid	-12,557	-12,557
Dividends received	0	200
Purchase of minority interest	-3,614	0
Cash inflow from assumption of loans	185,265	135,000
Cash outflow from assumption of loans	-133,246	-62,442
Cash flow from financing activities	**33,975**	**60,201**
Changes in cash due to exchange rates	-510	815
Change in cash and cash equivalents	-17,692	12,255
Cash and cash equivalents at the beginning of the period	42,180	29,110
Cash and cash equivalents at end of the period	**23,978**	**42,180**
Interest paid	13,263	6,933
Interest received	1,460	722
Income tax paid	10,910	5,965
Dividend received	0	200

* Adjustment of prior-year figures (See notes section "B. General Principles")

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

Notes for the 2011 Financial Year

A. The Company

CompuGroup Medical AG (parent Company) is a Company registered in Germany in the Commercial Register of the Koblenz Municipal Court under HRB No. 4358.

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 divisions – Health Provider Services (HPS), Health Connectivity Services (HCS) and Consumer Health Services (CHS). These Areas form the basis for the primary format of the Company's segment reporting.

HPS development and sale of software solutions for physicians and dentists in their practices and for use in hospitals and pharmacies.
HCS networking service providers (physicians, dentists and hospitals) with other important market participants in the healthcare sector such as sponsors, pharmaceutical companies and generic drug producers.
CHS products and services for covering the growing demand for health-related information for patients (electronic patient services).

The consolidated financial statements for 2011 were prepared by the Management Board, will be examined by the audit committee on 7 March 2012 and examined, approved and cleared for publication by the Supervisory Board at its meeting on 7 March 2012.

B. General principles

This consolidated financial statement combines the financial statements of CompuGroup Medical AG and its subsidiaries (also referred to in the following as the "Company" or "CG Group". As in the prior year, the consolidated financial statement as of 31 December 2011 of CGM Group was prepared in accordance with Section 315a Handelsgesetzbuch (HGB – German Commercial Code) and in compliance with the 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 prior-year figures were adjusted to account for the finalization of preliminary purchase price allocations from acquisitions in financial year 2010 (see explanation under "C. Consolidation principles") as a result of adjustments to currency translations and a change in reporting method (see notes to balance sheet position "Provisions for post-employment benefits") as follows:

	Notes	31.12.2010 (previous year) EUR '000	31.12.2010 (adjusted) EUR '000
Intangible assets	(1)	391,482	380,733
thereof goodwill		179,827	171,704
thereof software and other intangible assets		175,859	173,233
Reserves		143,562	143,733
thereof consolidated financial statements		16,593	16,788
thereof currency effects		-8,379	-8,403
Post employment benefits	(13)	924	2,575
Deferred taxes		50,005	39,085
Other provisions	(17)	16,456	14,805
Total assets		**556,403**	**545,654**

	Notes	2010 (previous year) EUR '000	2010 (adjusted) EUR '000
Write-downs on intangible assets	(25)	-28,858	-28,719
Income taxes	(28)	-9,798	-9,742
Consolidated net income		16,593	16,788
thereof relating to parent company shareholders		16,434	16,629
thereof relating to non-controlling interests		159	159
Other comprehensive income			
Stock option plan		78	0
Deferred income taxes in the stock option plan		-23	0
Exchange rate differences		436	412
Total result		17,084	17,200
thereof relating to parent company shareholders		16,925	17,041
thereof relating to non-controlling interests		159	159

New accounting regulations

The methods of accounting and evaluation applied correspond in principle to those used in the previous year with the following exceptions:

The new and revised IFRS standards, including the impact on the consolidated financial statements, listed below have been applied for the first time in the year under review.

IAS 24 (revised 2009) – Related Party Disclosures

The IASB published a revised version of IAS 24, Related Party Disclosures, on 4 November 2009.

In particular, the amendment of IAS 24 thoroughly revised the definition of related parties and made modifications concerning the definition of transactions (subject to disclosure). According to the amended standard, related parties include subsidiaries and associated companies or joint enterprises of the same investor as well as subsidiaries and associated companies or joint enterprises between the same investors. The standard also clarified that reference to the terms associated company or joint enterprise within the definition of related parties for multi-layer groups of companies also includes subsidiaries of these companies. In the future, this means that determining related parties will no longer be limited to where significant influence or joint control can be exacted on both companies, but will always be expanded to include the Group.

The definition of transactions (subject to disclosure) was also adjusted. This means that pending transactions ("executory contracts") are now also classed as events requiring reporting.

Another significant focus of the amendment was the introduction of an alleviation provision for companies under the control, joint control or significant influence of the government (so-called government-related entities). The alleviation provision, which foresees only certain minimum disclosure requirements, covers disclosures regarding transactions by the reporting Company with the government as well as disclosures regarding transactions with other government-related organizations.

The revised version of the standard applies mandatorily to financial years beginning on or after 1 January 2011. When applying the standard, the Group must disclose transactions between subsidiaries and associated companies. The new regulations have practically no effects on the disclosures in the consolidated notes of the CGM-Group as no transactions have to date been conducted with associated companies.

Amendments to IFRIC 14, IAS 19 – Prepayments of a Minimum Funding Requirement

The amendments to the interpretation IFRIC 14, IAS 19 – Prepayments of a Minimum Funding Requirement, are relevant if a pension plan foresees a minimum funding requirement and the Company makes prepayments towards the requirement. In contrast to existing regulations, the economic benefit from the Company's prepayments, which reduce future contribution payments related to the minimum funding requirement, are capitalized as an asset. If minimum funding requirements exist which refer to contribution payments for future services, then the interpretation foresees the recognition of an asset that is the sum of two amounts: first, the prepayment made voluntarily that reduces the minimum funding requirement and, second, the estimated future service cost. In such a case, the estimated total funding requirement must be reduced by the minimum funding requirement (without consideration for the prepayments).

The change should be applied for the first time to financial years beginning on or after 1 January 2011. These amendments must be applied beginning with the earliest comparative period in the first financial statements for which this interpretation is applicable. Any adjustments resulting from the application of these amendments must be recognized in the opening balance of the comparative period in retained earnings. The new provisions of IFRIC 14, IAS 19 have no effects on the consolidated financial statement of CGM-Group.

Improvements to IFRSs 2010
The IASB published the third annual collective standard for making minor modifications to the IFRS, the so-called "Improvements to IFRSs", on 6 May 2010. These changes impact several IFRS standards, one interpretation and the associated bases for conclusions. Application of most of these changes is mandatory for the first time for financial years beginning on or after 1 January 2011.

This affects the following standards and interpretations:

- IFRS 1 – First-time Adoption of the International Financial Reporting Standards.
- IFRS 7 – Financial Instruments.
- IAS 1 – Presentation of Financial Statements.
- IAS 34 – Interim Financial Reporting.
- IFRIC 13 – Customer Loyalty Programs.

However, some changes must be applied for financial years beginning on or after 1 July 2010. This concerns the following changes

- Transitional provisions for contingent considerations: As a result of the amendments to IFRS 3 – Business Combinations, contingent considerations as part of business combinations are no longer within the scope of IFRS 7 – Financial Instruments: Disclosures, IAS 32 – Financial Instruments: Presentation, and IAS 39, Financial Instruments: Recognition and Measurement. In order to clarify that these IFRS do not apply to contingent consideration as part of business combinations with an acquisition date prior to the date of the first time application of the amended IFRS 3 standard, the deadlines for application of the subsequent changes resulting from the amendment to IFRS 3 were adapted accordingly. In addition, the transitional provisions of IFRS 3 were expanded to include the accounting regulations from the superseded IFRS 3 that are still applicable for contingent consideration.
- Measurement of a non-controlling interest: Pursuant to IFRS 3.19, an acquirer must recognize a non-controlling interest in the acquired Company either at fair value or at a pro-rata share of the identifiable net assets of the acquired Company. Paragraph 19 was now amended to the effect that the measurement choice applies only to instruments with a current claim on a share of the net assets in the event of a liquidation or dissolution of the acquired subsidiary. Other components of the non-controlling interest in the acquired subsidiary such as, for example, stock options classified as equity are to be measured using the relevant IFRS standard or fair value.
- Accounting for expired and voluntarily replaced share-based payment awards: IFRS 3 contains provisions regarding the accounting methods for share-based payment awards from an acquired Company which the acquirer must replace as part of the business combination or which will ex-pi re as a consequence of the business combination. Regulations regarding the accounting methods of other share-based payment awards of the acquired Company did not exist until now. As part of the current IFRS improvement process, the accounting requirements in IFRS 3.B56 and .B62 were now changed and supplemented with explicit guidelines declaring that these para-graphs now apply to all share-based payment awards that are part of a business combination. Therefore these regulations now also apply to share-based payments that do not expire because of a business combination and are not replaced or are replaced by the acquirer by using its own share-based payments. In this context, the provision of paragraph 30 regarding the measurement of share-based payment awards was also adjusted to the effect that the measurement regulations also apply to share-based payments that are not replaced by the acquirer. Further-more, the terminology in IFRS 3 was aligned with that of IFRS 2 – Share-based Payments. The term previously used in IFRS3.30, "share based payment bonuses", was replaced with "share based payment awards".
- Amendments to IAS 21, IAS 28 and IAS 31 that result from the amendments to IAS 27: Business Combinations Phase II saw an amendment to IAS 27 "Consolidated and Separate Financial Statements", which resulted in amendments to IAS 21 "The Effects of Changes in Foreign Ex-change Rates", IAS 28 "Investments in Associates" and IAS 31 "Interests in Joint Ventures", for which no timing has be finalized. It was clarified that subsequently amended time limits for the amendments to IAS 21, IAS 28, and IAS 31 triggered by the amendments to IAS 27 must be applied prospectively for financial years beginning on or after 1 July 2009.

Other changes relating to financial years beginning on or after 1 July 2011 in detail:

- IFRS 1 – First-time Adoption of the International Financial Reporting Standards
  - Amendment of accounting policies in the first year of application: IFRS 1 clarifies that IFRS first-time adopters that change their accounting policies or the application of exemptions under IFRS 1 after the publication of an interim financial report pursuant to IAS 34 – Interim Financial Reporting, have to disclose these changes and adjust their reconciliations (equity and total result) in the interim financial report, as required by IFRS 1.24(a) and (b), accordingly.
  - Revaluation as deemed cost: IFRS 1.D8 clarifies the application of this paragraph, whereby a fair value measured during a privatization or initial public offering may be used as a substitute for cost even when the event-driven evaluation took place on or after the transition date to IFRS but still in the period covered by the first IFRS financial statements. The valuation adjustments resulting from the event-driven evaluation has to be recognized directly on the measurement date in retained earnings or another appropriate equity category. Entities that already had adopted IFRS prior to the publication of this amendment also have the option to apply it retrospectively in their first annual financial statements after its publication.
  - Substitute for cost for valuation for items of property, plant and equipment or intangible assets used during price-indexed transactions: In future, IFRS first-time adopters may elect to use a previous GAAP valuation for items of property, plant and equipment or intangible assets used during price-indexed transactions at the date of transition as their deemed cost. The application of this exemption may be applied to individual assets. If the exemption is applied however, an impairment test pursuant to IAS 36 – Impairment of Assets, must be carried out.
- IFRS 7 – Financial Instruments: Nature and Extent of Risks Arising from Financial Instruments: According to IFRS 7, disclosures must be made regarding the nature and extent of risks arising from financial instruments. During the annual improvement process, various clarifications of content and amendments were included in the standard.
- IAS 1 – Presentation of Financial Statements: IAS 1 clarifies that in the case of a transition of equity capital items from the book value at the beginning of the period to the book value at the end of the period, the required breakdown of other comprehensive income into individual items may be implemented in the notes and therefore does not mandatorily have to be implemented in the statement of changes in equity.

- IAS 34 – Interim Financial Reporting: Disclosures in the Notes of Material Events: The changes to the wording of IAS 34 strengthen the existing guiding principle according to which events that are important for explaining changes in an entity's net assets, financial position and results of operations since the reporting date must be disclosed in interim financial reports. In this con-text, the following duties of disclosure for financial instruments were added to the (not final) list of events for which disclosure in interim financial reports is mandatory:
  - Changes to the business or general economic environment of an entity that have an impact on the fair value of financial assets and liabilities, regardless if the corresponding financial assets and liabilities are recognized at fair value or amortized cost.
  - Transition between the different levels of the fair value hierarchy, which forms the basis for the measurement of fair value.
  - Reclassification of financial assets due to a change of their application and use.
- IFRIC 13 – Customer Loyalty Programs: Fair Value Measurement: The amendments of IFRIC 13 pertain to the clarification on the measurement of award credits in the bases for conclusion and their examples to avoid a potential false interpretation of the rules. It states that the fair value of an award credit must always be recognized at the amount that could be generated when selling the award credit separately. If this value cannot be measured, it may be determined on the basis of the fair value of the award that the award credit can be exchanged against, adjusted for benefits the entity issues to its customers outside the customer loyalty program as well and for potentially unclaimed awards.

These improvements, with the exception of the change to IFRS 3, IFRS 7 and IAS 1 have no effect on these consolidated financial statements.

New standards and interpretations as well as changes to published standards and interpretations that must be mandatorily applied in 2011 but which are not, however, currently relevant for the Group (but may be relevant in the future):

Amendment to IFRS 1 – limited exemption from Comparative IFRS 7 Disclosures for First-time Adopters
The amendment to IFRS 1 with the title "Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters" allows first-time adopters of IFRS the possibility to apply the transition provisions of IFRS 7 – Financial Instruments: Disclosures, to the disclosure requirements introduced in March 2009. The amendment relieves first-time adopters of IFRS from the requirement to provide comparative values for the new disclosure requirements of IFRS 7 for comparative periods ending prior to 31 December 2009.

The EU adoption ordinance ("endorsement") was published on 1 July 2010 in the Official Journal of the EU and is applicable for financial years beginning on or after 1 July 2010. The amendment to IFRS 1 had no effect on these consolidated financial statements of CGM Group.

Amendment to IAS 32 – Classification of Rights issues
If the Company grants rights issues, options and warrants to acquire a fixed number of an entity's own equity instruments in a currency other than its functional currency, then these rights were accounted for until now as a financial liability because the "fixed-for-fixed" criteria in IAS 32.16(b)(ii) was not fulfilled due to potential foreign currency exchange rate fluctuations. The IASB has supplemented IAS 32 to the effect that rights issues, options and warrants to acquire a fixed number of an entity's own equity instruments for a fixed price stated in a currency other than the entity's functional currency should be posted as equity instruments, provided these are offered pro rata to all its existing owners of the same class. This amendment is to be applied retrospectively pursuant to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors".

The amendment in IAS 32 was published in October 2009 and is applicable for financial years beginning on or after 1 February 2010. The amendment to IAS 32 had no effect on these consolidated financial statements of CGM Group.

IFRIC 19 – Extinguishing financial liabilities with equity instruments.
IFRIC 19 governs the accounting by a debtor when renegotiated contractual terms of a financial liability allow the debtor to extinguish the financial liability fully or partially by issuing equity instruments (so-called debt for equity swaps) and the creditor is an unrelated third party. Pursuant to IAS 39.41, the difference between the book value of the extinguished liability and the consideration paid must be recorded in profit and loss. The amendment to IFRIC 19 now makes clear that equity instruments issued by the debtor to extinguish its financial liability, either fully or partially, must be considered as part of the consideration paid. The equity instruments must be measured at fair value as of the date of acquisition. If the fair value of the equity instrument cannot be reliably determined, then the instruments must be measured at the fair value of the fully or partially extinguished liability. Measurement of the issued equity instruments using the book value of the fully or partially extinguished liability, meaning a simple rebooking of the financial liability to equity, is no longer possible.

IFRIC 19 should be applied for the first time to financial years beginning on or after 1 July 2010. No changes to these consolidated financial statements of CGM Group result from the first-time application of this requirement.

New standards and interpretations and changes to published standards that must not be mandatorily applied in 2011 and which have not been adopted early by the Group

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

Amendment to IFRS 7 – Financial Instruments: Disclosures: Transfer of Financial Assets
These relate to disclosure requirements in connection with transfers of financial assets. This now means that extensive disclosures have to be made on rights and obligations that may be retained or assumed in a transaction. This amendment is designed to increase the transparency of disclosures on transfers of assets and improve the understanding of the related risks to the Company's financial position, especially for those relating to the sale of assets.

The EU adoption ordinance ("endorsement") was published on 23 November 2011 in the Official Journal of the EU and is applicable for financial years beginning on or after 1 July 2011. Early application is permitted. The Group will apply the new regulations beginning financial year 2012. Significant effects on the Group's assets, financial situation and earnings are not expected.

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

This amendment contains two amendments to IFRS 1 "First-time Adoption of IFRS". The first amendment replaces references to a fixed date of "1 January 2004" with "the date of transition to IFRSs", thus eliminating the need for companies adopting IFRSs for the first time to restate derecognition transactions that occurred before the date of transition to IFRSs. The second amendment provides guidance on how an entity should resume presenting financial statements in accordance with IFRSs after a period when the entity was unable to comply with IFRSs because its functional currency was subject to severe hyperinflation.

The change should be applied for the first time to financial years beginning on or after 1 July 2011, although it will not be adopted by the EU. No changes to the consolidated financial statements of CGM Group result from the first-time application of this requirement.

Amendment to IAS 12 – Income Taxes: Deferred Taxes

Under IAS 12 "Income Taxes", the measurement of deferred taxes depends on whether the carrying amount of an asset is recovered through use or sale. 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 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 change should be applied for the first time to financial years beginning on or after 1 January 2011, although it will not be adopted by 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.

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

The amendments demand that other income items are divided into amounts that can then be recycled in the consolidated income statement, and those that cannot. The amendments do not state which other income items should be posted.

The change should be applied for the first time to financial years beginning on or after 1 July 2011, although it will not be adopted by the EU. The cash flow hedges mean that this amendment will impact CompuGroup Medical's consolidated financial statements. It corresponds to the means of presentation selected for these financial statements.

Amendment to IAS 19 – Employee Benefits

The amendments eliminate the corridor method and require recognition of actuarial profits and losses in other 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 period of the related plan amendment. The amendments also change the requirements for termination benefits and include enhanced presentation and disclosure requirements.

The change should be applied to financial years beginning on or after 1 January 2013, although it may be applied earlier. The change will not be adopted by the EU. CompuGroup Medical expects that this amendment will have an impact as a result of the future recognition of actuarial profits and losses in other income as well as the creation of a net interest component.

Amendments to IAS 32 and IFRS 7 – 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" as well as to IFRS 7 "Financial Instruments: Disclosures".

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 par-ties 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 change has not been adopted by the EU. The Company is currently assessing the effects of the amended IAS 32 on the consolidated financial statements.

The disclosure requirements relating to certain offsetting agreements introduced in IFRS 7 are, how-ever, new. The obligation for disclosures has to be applied regardless of whether the offsetting arrangements result in any actual offsetting of the respective financial assets and financial liabilities. The amendment provides for a series of individual items in addition to a qualitative description of the offsetting claims.

The amendments to IFRS 7 should be applied retrospectively to financial years beginning on or after 1 January 2013. The change has not been adopted by the EU. The Company is currently assessing the effects of the amended IFRS 7 on the consolidated financial statements.

IFRIC 20 – Stripping Costs in the Production Phase of a Surface Mine (October 2010)

The interpretation deals with stripping costs in the production phase of a surface mine. It should be applied to financial years beginning on or after 1 January 2013, although it will not be adopted by 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.

IFRS 9 – Financial instruments

The IASB published IFRS 9 – "Financial Instruments" on 12 November 2009. The new standard fundamentally changes the previous regulations on the categorization and valuation of financial instruments, whereby IFRS 9 is limited solely to financial assets at the present time.

IFRS 9 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 re-quires 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 fulfil 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 con-tract 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 profit or loss 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.

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 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 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 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.

On 16 December 2011, the IASB issued amendments to IFRS 9 “Financial Instruments” and IFRS 7 “Financial Instruments: Disclosures” under the title “Mandatory Effective Date and Transition Disclosures”, which delays the mandatory application of IFRS 9 to financial years beginning on or after 1 January 2015. IFRS 9 (revised 2011) also formulates exceptions under which a company can make additional disclosures in the notes when transitioning to IFRS 9 in place of adjustments to previous year’s figures. When the EU will endorse these is unknown at present. CGM is currently assessing the exact impact this will have on accounting and measurement.

IFRS 10 – Consolidated Financial Statements

In May, 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”.

IFRS 10 enters into force for financial years beginning on or after 1 January 2013. The standard has not been adopted into European law by the EU. The Company is currently assessing the effects on the consolidated financial statements.

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

IFRS 11 enters into force for financial years beginning on or after 1 January 2013. The standard has not been adopted into European law by 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.

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.

IFRS 12 enters into force for financial years beginning on or after 1 January 2013. The standard has not been adopted into European law by the EU. The Company is currently assessing the effects on the consolidated financial statements.

IAS 27 (revised 2011) – 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. IFRS 10 enters into force for financial years beginning on or after 1 January 2013. The amended standard has not been adopted into European law by the EU. The Company is currently assessing the effects on the consolidated financial statements.

IAS 28 (revised 2011) – 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. IFRS 28 (amended 2011) enters into force for financial years beginning on or after 1 January 2013. The amended standard has not been adopted into European law by 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.

IFRS 13 – Fair Value Measurement

IFRS 13 aims to improve measurement continuity and reduce complexity. It describes how fair value is to be defined, how it is measured and what disclosures need to be made. The provisions, which align IFRS and US GAAP, do not expand the scope of fair value measurement but explain how fair value is to be applied in cases already required or permitted by standards.

The new standard enters into force for financial years beginning on or after 1 January 2013. Earlier application is permitted. IFRS 13 has not been adopted into European law by the EU. The Company is currently assessing the effects of IFRS 13 on the consolidated financial statements.

Fundamental principles

The consolidated financial statements – presented in thousands of euros (EUR thousand) – were prepared in accordance with International Financial Reporting Standards (IFRS), as applicable in the EU, and Section 315a HGB. 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 acquisition costs principal. Unless stated otherwise, assets and liabilities are carried on the basis of the historical costs of acquisition or production, 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.

C. Consolidation principles

Effective date of consolidation

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

Consolidation group

The financial statements of the Company and of the companies controlled by the Company (its subsidiaries) are included in the consolidated financial statement 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.

All included financial statements of CGM Group are prepared according to uniform accounting and valuation methods. Holdings in associated companies on which the Company exercises a decisive influence (generally accompanied by a share of voting rights ranging from 20 to 50 percent) are accounted according to the equity method. For the year ended 31 December 2011, there were five equity holdings in associated companies that are reported according to the equity method.

The consolidated financial statement is prepared at the level of CompuGroup Medical AG, Koblenz (parent Company). The following changes have occurred within the consolidation Group, as compared with the previous year:

	01.01.2011			Additions			Disposals			31.12.2011		
	Domestic	Foreign	Total	Domestic	Foreign	Total	Domestic	Foreign	Total	Domestic	Foreign	Total
Subsidiaries	23	54	77	4	5	9	9	16	25	18	43	61

A preliminary purchase price allocation exists for the acquisition of "LAUER-FISCHER GmbH" in the financial year 2012 which has to be finalized within a twelve-month period from the acquisition date. A summary of disclosures on business combinations in the reporting period is contained in the "Company acquisitions in financial years 2010 to 2012" annex to the notes.

Acquisition of Healthport, LLC, USA
In November 2010, CompuGroup Medical AG concluded an agreement for the purchase of the healthcare segment of Healthport. The purchase price for 100 percent of the shares was USD 18 million (EUR 13.4 million). The purchase agreement became effective on 3 January 2011 ("closing"). Healthport LLC was consolidated for the first time on 1 January 2011.

The segment sells Ambulatory Information Systems, Electronic Health Records (EHR) as well as invoice and cost management services for around 3,600 physicians. In terms of strategy, Healthport fits very well with CompuGroup Medical USA. The Company's additional customer base will provide the Group with the opportunity to increase its revenue by selling existing and new products. The service, marketing and development strategies perfectly suit CompuGroup Medical's fast-growing business in the USA.

Goodwill recognized as of 1 January 2011, according to the purchase price allocation within the scope of initial consolidation is EUR 4.7 million and mainly relates to the pooling of synergies, resulting within the in the US market from the acquisition within the Group. The acquired employees as well as the related know how and deemed deferred tax liabilities also drive growth. The Company anticipates that part of the recognized goodwill will be deductible for tax purposes. No conditional consideration was established. Based on the purchase price allocation within the scope of initial consolidation as of 1 January 2011, the fair value of trade receivables and other receivables is EUR 2.4 million; the fair value of trade receivables accounts for EUR 2.2 million of this amount. The gross amount of due trade receivables came to EUR 2.3 million, of which EUR 0.1 million are expected to be bad debts. The fair value of intangible assets (including goodwill) according to the purchase price allocation within the scope of initial consolidation as of 1 January 2011 totals EUR 14.9 million.

Healthport contributed EUR 14.8 million in revenue to consolidated revenue since 1 January 2011. The share of profits (before step-up depreciation) for the same period was EUR 1.8 million.

Acquisition of Ascon Group, Netherlands
In December 2010, CompuGroup Medical concluded a purchase agreement for 100 percent of the shares in Ascon Software II B.V. with effect from 1 January 2011 for the amount of EUR 15.0 million. The closing took place on 24 December 2010. The purchase price was paid in December 2010 and recognized as a prepayment in intangible assets in the consolidated financial statements. Euroned, the trading name of Ascon Software, is one of the leaders in the market for physician and pharmacy information systems in the Netherlands. The Company's product MIRA generated enormous growth in recent years. The Company generated revenue of around EUR 10.8 million in 2010. EBITDA amounted to roughly EUR 2.8 million. Ascon is headquartered in Echt, South-East Netherlands. As of the time of acquisition, the Company employed 80 people and counted 430 pharmacies and 700 physicians among its customers. This corresponded as of the time of acquisition to a market share of around 22 percent for pharmacies and 10 percent for physicians. It is one of only a few suppliers that have been recording annual growth of approximately 10 percent since 2007.

Goodwill recognized as of 1 January 2011, according to the purchase price allocation within the scope of initial consolidation is EUR 3.1 million and mainly relates to the pooling of synergies, resulting from the acquisition within the Group. The acquired employees as well as the related know how and deemed deferred tax liabilities also drive growth. The Company does not anticipate that part of the recognized goodwill will be deductible for tax purposes. No conditional consideration was established. Based on the purchase price allocation within the scope of initial consolidation as of 1 January 2011, the fair value of trade receivables and other receivables is EUR 1.9 million; the fair value of trade receivables accounts for EUR 1.2 million of this amount. The fair value of intangible assets according to the purchase price allocation within the scope of initial consolidation as of 1 January 2011 totals EUR 18.7 million (including goodwill).

Ascon Group contributed EUR 12.6 million in revenue to consolidated revenue since 1 January 2011. The share of profits (before step-up depreciation) for the same period was EUR 1.6 million.

Asset deal Parametrix
In December 2010, effective 1 January 2011, CompuGroup Medical entered into an agreement with MCS for the acquisition of all assets of Parametrix AG and Parametrix Deutschland GmbH. The total purchase price of these assets is EUR 4.9 million.

Parametrix AG and Parametrix Deutschland GmbH were consolidated for the first time in January 2011. The Company has 51 employees, is headquartered in Niederwangen near Bern and has a subsidiary in Eltville, Germany. With a market share of around 30 percent of acute care hospitals and about 20 percent of rehabilitation and social facilities, Parametrix is the market leader among the Swiss Hospital Information Systems (HIS).

Goodwill recognized as of 1 January 2011, according to the purchase price allocation within the scope of initial consolidation is at EUR 0.9 million and mainly relates to the raising of synergies, resulting within the in the Swiss market from the acquisition within the Group. The acquired employees as well as the related know how also drive growth. Recognized goodwill is deductible for income tax purposes. No conditional consideration was established. Based on the purchase price allocation within the scope of initial consolidation as of 1 January 2011, the fair value of trade receivables and other receivables is EUR 0.9 million; the fair value of trade receivables accounts for EUR 0.8 million of this amount. The gross amount of due trade receivables came to EUR 0.9 million, of which EUR 0.1 million are expected to be bad debts. The fair value of intangible assets (including goodwill) according to the purchase price allocation within the scope of initial consolidation as of 1 January 2011 totals EUR 5.4 million.

Parametrix contributed EUR 5.4 million in revenue to consolidated revenue since 1 January 2011. The share of profits (before step-up depreciation) for the same period was EUR -0.4 million.

Acquisition of Lorensbergs holding AB, Sweden

In January 2011, CompuGroup Medical concluded an agreement for the acquisition of Lorensbergs Holding and all its subsidiaries. The purchase price for 100 percent of the shares was SEK 40 million (EUR 4.5 million). The Company generated revenue of around EUR 3.7 million in 2010. The Company was consolidated for the first time on 1 January 2011. Lorensbergs employs 41 people and mainly develops software solutions for occupational health and safety in large companies and corporations, for general practitioners as well as school physicians in Sweden.

Goodwill recognized as of 1 January 2011, according to the purchase price allocation within the scope of initial consolidation is EUR 1.3 million and mainly relates to the raising of synergies, resulting within the in the Swedish market from the acquisition within the Group. The acquired employees as well as the related know how and deemed deferred tax liabilities also drive growth. The Company does not anticipate that the recognized goodwill will be deductible for income tax purposes. No conditional consideration was established. Based on the purchase price allocation within the scope of initial consolidation as of 1 January 2011, the fair value of trade receivables and other receivables is EUR 1.0 million; the fair value of trade receivables accounts for EUR 0.7 million of this amount. The gross amount of due trade receivables came to EUR 0.8 million, of which EUR 0.1 million is expected to be bad debts. The fair value of intangible assets (including goodwill) according to the purchase price allocation within the scope of initial consolidation as of 1 January 2011 totals EUR 2.2 million.

Lorensbergs Group contributed EUR 3.6 million in revenue to consolidated revenue since 1 January 2011. The share of profits (before step-up depreciation) for the same period was EUR 1.2 million.

Acquisition of LAUER-FISCHER GmbH

In June 2011, CompuGroup Medical AG concluded an agreement for the acquisition of LAUER-FISCHER GmbH, Fürth, including its subsidiaries. The purchase price for 75 percent of the shares in LAUER-FISCHER GmbH was EUR 52.5 million. Rights of purchase and sale were also agreed upon for the remaining 25 percent of shares, which at EUR 18.8 million are part of the acquisition cost. The Company was consolidated for the first time on 30 June 2011.

The takeover of LAUER-FISCHER GmbH means that CompuGroup Medical is now also represented in the area of pharmacy software. LAUER-FISCHER is one of the leading and most innovative software companies on the market and currently services approximately 20 percent of German pharmacies. Its 470 employees developed software and system solutions with a sales volume of EUR 49.8 million in 2010. Its earnings before interests and taxes (EBITDA) amounted to EUR 9.8 million and earnings before taxes (EBT) EUR 6.2 million.

The Company's preliminary goodwill of EUR 31.3 million mainly comes from synergies, which resulted from the acquisition within the Group. The acquired employees as well as the related know how and deemed deferred tax liabilities also drive growth. Goodwill is still preliminary mainly due to the order backlog as the data received to date only allows for an indicative measurement of software rental and maintenance contracts as of the reporting date. Deemed goodwill is not deductible for income tax purposes.

The fair value of receivables amounts to EUR 15.6 million. Gross contractual amounts receivable amount to EUR 17.7 million, of which EUR 0.3 million are expected to be bad debts. The fair value of intangible assets (including goodwill) according to the purchase price allocation within the scope of initial consolidation as of 1 January 2011 totals EUR 67.6 million.

Lauer-Fischer Group contributed EUR 25.8 million in revenue to consolidated revenue since 1 July 2011. The share of profits (before step-up depreciation) for the same period was EUR 0.3 million. If Lauer-Fischer Group had already been consolidated as of 1 January 2011, revenue of EUR 50.0 million and earnings of EUR 1.5 million would have been reported in the Group's consolidated income statement.

Merger of Alteer Corp and Visionary Healthware, LLC, USA

Alteer Corp. was merged with Visionary Healthware, LLC on 15 December 2010 by merger agreement. The merger became effective on 1 January 2011.

Merger of Soft Aid, Inc., Visionary Medical Systems, Inc. and Visionary Healthware, LLC, USA

Soft Aid, Inc. and Visionary Medical Systems, Inc. were merged with Visionary Healthware, LLC on 15 December 2010 by merger agreement. The merger became effective on 1 January 2011.

Merger of Antek LABDAQ, LLC and Antek Healthware, LLC, USA

Antek LABDAQ, LLC was merged with Antek Healthware, LLC on 30 December 2010 by merger agreement. The merger became effective on 1 January 2011.

Merger of Antek, Inc. and Visionary Healthware, LLC, USA
Antek, Inc. was merged with Visionary Healthware, LLC on 30 December 2010 by merger agreement. The merger became effective on 1 January 2011.

Merger of Antek DAQBILLING, LLC and Visionary Healthware, LLC, USA
Antek DAQBILLING, LLC was merged with Visionary Healthware, LLC on 15 December 2010 by merger agreement. The merger became effective on 1 January 2011.

Mergers in CE with subsequent change in legal form and name change to CompuGroup Medical Deutschland AG
Within the scope of restructuring measures and pooling of business activities at Region Central Europe, the merger agreements for ISPro GmbH, telemed GmbH, Albis Ärzteservice Product KG and Albis Verwaltungs-GmbH were signed on 1 February 2011. The merger agreements for CompuGroup Medical Deutschland GmbH, CompuGroup Medical Arztsysteme KG and CompuMed Verwaltungs GmbH, vita-X AG were signed on 4 April 2011. The merger agreement for INMEDEA GmbH was signed on 15 August 2011.

All of these companies were merged with CompuGROUP Beteiligungsgesellschaft mbH.

CompuGROUP Beteiligungsgesellschaft mbH underwent a change in legal form during the course of 2011 and was renamed CompuGroup Medical Deutschland AG.

Mergers in CEE with subsequent renaming
Effective 1 April 2011, CompuGroup Slovensko spol. s.r.o. and Erudis CGM s.r.o. were merged with the merger agreement dated 13 January 2011. Erudis CGM s.r.o. was then renamed CompuGroup Medical Slovensko s.r.o.

Mergers in the NA region
The merger agreements dated 12 December 2011 merged eMedix Reimbursement Services LLC, Noteworthy Systems Inc., U.S.M.D. LLC, Visionary Healthware LLC, Visionary RCM LLC, Antec Healthware LLC, CompuGroup Medical S.c. LLC, American Healthcare Holdings Inc. with CompuGroup Medical Inc. effective 31 December 2011 using interim mergers.

Business combinations from previous years
A number of companies were acquired in financial year 2010. No purchase price allocations for these company acquisitions (with the exception of Innomed) had been finalized as of the date the consolidated financial statements were prepared on 31 December 2010. The purchase price allocations were concluded in financial year 2011. In accordance with IFRS 3.49, comparative information for periods prior to the preparation of the initial accounting of the acquisition is to be prepared retrospectively as though the purchase price allocation had already been concluded at the time of acquisition. The changes to company acquisitions in financial year 2010 (IFRS 3.49) are presented in the separate “Change in Company Acquisitions in Financial Year 2010 (IFRS 3.49)” annex to the notes. The effects on the figures for the previous year (with the exception of the effects on total comprehensive income statement due to immateriality) are detailed separately in the tables to the notes to intangible assets as well as to income and deferred taxes.

Associated companies
Please refer to the report on equity investments attached to these consolidated notes.

Capital consolidation
In corporate takeovers, the assets and debts of the relevant subsidiaries are valued at the fair values at the time of acquisition. If the acquisition costs of the corporate takeover exceed the fair values of the acquired, identifiable assets and debts, the difference is reported as goodwill (new valuation method). Acquisition costs are shown in the balance sheet if they are incurred.

Any difference, on the liabilities side, between the acquisition costs of the corporate takeover and the acquired, identifiable assets and debts is recognized as part of net income in the period of the acquisition.

Acquisition costs also include the fair values of all reported assets or liabilities resulting from a contingent consideration agreement. Any contingent consideration is measured at fair value. Subsequent changes to the fair value of an asset or contingent consideration classified as liabilities are measured within the scope of IAS 39 and any resulting profit or loss is recognized in the profit or loss or in other comprehensive income. Contingent consideration classified as equity is not remeasured and is recorded as equity.

The shares of minority shareholders are reported as no less than the share of the fair values of the documented assets and debts that corresponds to the minority share.

The Group decides on whether the non-controlling interest in the acquired Company should be recognized either at fair value or at a pro-rata share of the identifiable net assets of the acquired Company on an individual basis for each company acquisition.

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 actual date of acquisition or on the actual date of sale.

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

Transactions with not fully controlled shares without change of control, i.e. acquisitions of minorities whereby the subsidiary has already been subject to full consolidation, are treated as transactions with owner of equity of the Group. The difference between the paid purchase price and the respective portion of the book value of net assets of the subsidiary resulting from the acquisition of not fully controlled shares is accounted in the equity.

For transactions with not fully controlled shares with change of control (transitional consolidation), the acquisition of shares leads to the possibility to control the Company. A capital gain or loss is recognized as income or expense. A gain or loss resulting from this transaction is calculated by a revaluation of the remaining shares relative to the fair value of the acquired shares at the time of the change of control.

Shares of associated companies are accounted for using the so-called equity method. The proportionate method of consolidation is not used. Unrealized gains from transactions between Group companies and associated companies are eliminated according to the Group's interest in the associated company. Unrealized losses are also eliminated, unless the transaction hints at an impairment of the assigned asset. The accounting and measurement methods for associated companies were changed as necessary to guarantee uniform accounting principles throughout the Group.

Debt consolidation

Receivables, liabilities and reserves between the companies included in the Consolidated Financial Statement were offset.

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.

Foreign currency conversion

The functional currency is the respective national currency as the currency of the primary business environment.

The reporting currency is the EURO, the functional currency of the parent Company.

Accordingly, the balance sheets of the foreign subsidiaries are converted on the basis of average rates on balance-sheet date, the equity capital at the historic rate, and the income statement on the basis of the annual average rates. Profits and losses that result from the conversion are included in equity, not affecting net income.

When disposing of a foreign business (such as the disposal of all of a company's interest in a foreign business or a disposal which results in the loss of control of a subsidiary to which a foreign business belongs), the cumulated translation differences, cumulated in equity, are reclassified as profit or loss.

When disposing part of a subsidiary to which a foreign business belongs but which does not result in the loss of control, the corresponding cumulated translation differences, cumulated in equity, are assigned to the non-controlling interest in this foreign business and not reclassified as profit or loss. In any other partial disposal of a foreign operation (such as a reduction in the interest in an associated or jointly controlled entity that does not result in a loss in significant influence or joint control) the entity shall reclassify to profit or loss only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income.

Foreign currency transactions are converted into the functional currency at the exchange rates in effect on the transaction date. Profits and losses resulting from the fulfilment of such transactions, as well as from the conversion, at the period-end exchange rate, of monetary assets and liabilities reported in the foreign currency, are included in the statement of the total comprehensive income.

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

Statement of financial position headings are subdivided into short-term and long-term accounts. Accounts are disclosed as long-term if they are realized after more than 12 months or within a normal business cycle. Deferred taxes are always allocated to long-term accounts.

Software and other intangible assets

Software and other intangible assets, which principally result from corporate acquisitions, are stated at purchase and production costs, less cumulative straight-line amortization and impairment. The significant part of these figures results from Company acquisitions.

Amortization on	Useful life in years
Software and licenses	3 – 10
Customer relations, brands	10 – 30

There are no intangible assets with an unlimited useful life in this position of the balance sheet.

Capitalized in-house services

Costs of research activities are written off as expenses for the year.

Capitalized in-house services that arise from the Group's software development are only capitalized as an asset if the following conditions apply:

- the produced asset is identifiable (e.g. software and new methods);
- it is likely that the produced assets will provide future economic benefit, specifically that, in addition to the feasibility and intention to produce and introduce them into the market, sufficient technical and financial resources are available until the development and market introduction of the software is completed; and
- the development costs of the asset can be reliably determined (especially evidence of time worked).

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.

Capitalized in-house services assets (generally software) are amortized on a straight-line basis over their estimated useful life of one to six years. Directly allocated costs are included in manufacturing costs. Borrowing costs within the context of IAS 23 are capitalized.

Goodwill/CGU

Goodwill is capitalized as an asset with an unlimited useful life. CompuGroup Medical AG reviews any change in value of its equity portfolio on an ongoing basis. In addition, pursuant to IAS 36, the value of goodwill is periodically (at least once a year) subject to impairment testing. As part of the impairment testing, the book value of the units on which the goodwill is based, (so-called cash generating units (CGU)), is compared with their recoverable value as of the balance sheet date. If the book value 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 CompuGroup Medical AG first calculates the value in use of the cash generating unit 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.

Goodwill is allocated to cash-generating units (CGUs). It is allocated to those CGUs which are expected to generate a value in use as a result of the business combination that gave rise to the goodwill. Each CGU or group of CGUs to which goodwill is allocated represents the lowest entity level on which goodwill is monitored for internal management purposes. The cash generating units of CompuGroup Medical AG were defined as the subsidiaries (or groups of subsidiaries – Profdoc Group, USA, Turkey, Systema Deutschland Group) (each with different software, planning, etc.). To calculate the values in use of the subsidiaries, all expected future cash flows are discounted to their present value using a pretax discount rate that reflects the actual market expectations regarding the interest rate effect and the specific risks associated with the cash generating unit.

The future cash flows of the companies, which are discounted under the DCF method, are determined based on the CompuGroup Medical AG 2012 budget in respect of net assets, financial position and earnings and are verified on the basis of historical data. Then the results are extrapolated over four years by means of growth factors. After the five-year period, a growth rate of 1.5 percent is assumed. To determine present values of future cash-flows, a weighted average cost of capital approach (WACC) was applied. The following assumptions were used:

Parameter	Assumption
WACC (pre-tax) considering country specific risk factors	8.36%-12.38%
Beta factor	1.16
Long-term growth rate	1.50%
Risk-free interest rate	3.25%
Market risk premium	5.00%

The 2011 goodwill impairment test (as of 1 October 2011) resulted in no need for an impairment charge against recorded goodwill. The outcome of all impairment tests was positive.

Furthermore, there is also need for an impairment charge of EUR 1.1 million even if the WACC is increased by 1 percentage point. The Group-wide surplus in the test calculation would be reduced by EUR 194.5 million applying a one-percent higher WACC.

There would be a need for an impairment charge totalling EUR 12.4 million if the WACC is increased by two percentage points. The Group-wide surplus would then be reduced by EUR 345.5 million.

Property, plant and equipment

Property, plant and equipment is stated at acquisition and production costs less cumulative depreciation and impairment.

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.

Depreciation is calculated by writing down the cost or the estimated value of assets, with the exception of land or facilities under construction, on a straight-line basis over their estimated useful lives, based on the following: buildings (2 percent) and other facilities and plant and equipment (10-30 percent), relative to the acquisition or production costs, in each case.

Impairment of long-term assets

As of each balance-sheet date, the Group reviews the book values 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 cash-generating unit 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 cost to sell and the value in use. When determining the value in use, the estimated future cash flows are discounted to present value based on the current pre-tax market interest rate, which reflects the specific risks of the asset, which are not taken into account in the cash flows.

If the estimated realizable value of an asset (or a cash-generating unit) is less than the book value, the book value of the asset (or of the cash-generating unit) has to be reduced to the realizable value. The impairment has to be recognized immediately and posted to the income statement.

If impairment is subsequently reversed, the book value of the asset (or cash-generating unit) is increased to the newly estimated realizable value.

The increase in the book value is limited to the amount that would have been determined if no impairment had been recognized for the asset (the cash-generating unit) in previous years. A reversal of the write down has to be recognized immediately and posted to the income statement. Goodwill impairment charges are never reversed.

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 cost. Investments in associates 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 book value 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 test will be done if a so-called "triggering event" is given (particularly at high changes in net results).

Financial assets

Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, 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 income

Financial assets recognized at fair value in income 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 twelve months; otherwise they are classified as non-current.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the balance sheet date. These are classified as non-current assets. The Group's loans and receivables comprise trade receivables, other receivables as well as 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 twelve 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 through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in the total comprehensive income statement. Financial assets are derecognized when the rights to receive cash flow from the investments have expired or have been transferred and the Group has transferred all substantially risks and rewards of ownership. Financial assets at fair value in income 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 total comprehensive 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
The Group 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;
- the Group, 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.

The Group 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 profit or loss. 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 recognized in profit or loss.

(b) Financial assets available for sale
The Group carries its financial assets available for sale at cost. To assess whether there is objective evidence that a financial assets 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. The Group 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.

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.

Other financial assets
These consist primarily of equity investments of less than 20 percent and amounting to EUR 105 thousand designated as financial assets available for sale which cannot be valued reliably and are therefore measured at purchase cost.

Inventories
Inventories are valued at the lower of either purchase or manufacturing cost and net realizable value. Manufacturing costs include material costs and production costs, plus any production overheads. Purchase costs are calculated under the weighted-average cost 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.

Non-current assets qualified as held for sale
Non-current assets held for sale (or groups of assets and liabilities held for sale) are classified as held for sale if their book value is mainly yielded from a disposal and if a sale is very likely. They are measured at the lower of the book value or fair value less disposal costs.

Provisions for post-employment benefits
For defined benefit plans, provisions for pensions and similar obligations are determined using the projected unit credit method in accordance with IAS 19. 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. The provision for defined retirement benefits plans in the balance sheet corresponds to the present value of the pension commitment on the balance sheet date, less the fair value of the plan assets. The service cost, compound interest expense and expected fund income are all reported in personnel expenses. Actuarial profits and losses are immediately recognized in the income statement.

Past service cost is immediately recognized through profit or loss if the changes in the pension plan do not depend on the employee remaining in the Company for a defined period of time (vesting period). In this case, the past service cost is recognized through profit or loss on a straight-line basis over the vesting period.

Payments for defined contribution plans are recognized when incurred and recorded as an expense under personnel expenses. Contributions to government pension plans are treated like payments for defined contribution pension plans. The Group has no payment obligations arising from these defined contribution plans beyond the payment of these 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. Provisions are measured at the present value of the expected expenses.

Provisions for contingent liabilities are stated if the expected profit of the related contract in lower than the expected costs.

Provisions for warranties are recognized at the time of sale of the related product. The amount results from the estimated costs necessary to meet the Group's liability. 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.

Share-based bonus plans

In the 2008 financial year, the following share-based remuneration, as defined under IFRS 2, was agreed with board member Christian B. Teig.

Christian B. Teig holds an option to purchase CompuGroup shares amounting to 375 thousand shares, the duration of which is linked to his term of office as director (94 thousand accrue after 12 months, 188 thousand accrue after 24 months, 282 thousand accrue after 36 months and 375 thousand after 48 months). The fair value as of the option grant date amounted to EUR 1.25 per option. As at the balance sheet date, EUR 58 thousand were recorded in profit and loss. This value is reported in the statement of total comprehensive income under reserves under equity and totals EUR 41 thousand, after deduction of EUR 17 thousand for deferred tax, and was also recognized in profit and loss as salary or tax expense. In total, EUR 395 thousand has been recognized over the entire contract term with consideration for deferred taxes of EUR 122 thousand. Calculation of the fair value was 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 options	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 gives the price volatility of the shares 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.

Payables

Payables are valued at fair value less transaction costs when incurred and are subsequently measured at amortized cost using the effective interest method. Foreign currency payables are converted at the closing exchange rate.

There are no payables held for trading purposes.

Leasing relationships

a) CGM as lessee

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. Payments received in connection with an operating lease (net of any incentives received from the lessor) are recognized in the income statement on a straight-line basis over the term of the lease.

The Group leases certain items of property, plant and equipment (leasing items). Lease agreements for property, plant and equipment for which the Group bears the material risks and rewards from ownership of the leased asset are classified as finance leases. 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 leasing 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.

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 leasing payment before discounts) and the present value of the receivable is recognized as unrealized financial income. 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 leasing relationships is recognized on a straight-line basis over the term of the lease.

Derivative financial instruments and hedging
Derivatives are initially recognized at fair value on the date a contract is entered into and are subsequently remeasured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. Gains and losses from trading derivatives are recognized in profit or loss.

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).

Only cash flow hedges occur at CompuGroup.

At the inception of the transaction the relationship between the hedging instrument and hedged item is documented, as well as the risk management objectives and strategy for undertaking the hedging transaction. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in the cash flows of hedged items.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized in profit or loss. Amounts accumulated in other comprehensive income are reclassified to profit or loss in the periods when the hedged item affects profit or loss.

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 1.71 if they are due after more than one year; otherwise they are classified as current.

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.

Orders to install software in hospitals (project business) are accounted according to the percentage-of-completion method ("POC method"; IAS 18.20), such that the revenues of this business are recognized according to the status of each project on an hourly basis (the main element is project hours) plus the profit margin.

The main types of sales and their recognition are presented below:

- Income from sales of licenses is booked on delivery.
- Income from software update agreements (maintenance) is booked over the period when the services are rendered.
- Discounts on sales of packages (software licenses and software maintenance) are always booked against the software sale. Accordingly, the customary price for software maintenance is recorded and the difference compared to the total price is offset against the software sale ("only the sale is discounted, never the maintenance").
- Advertising revenues, which are always based on a given quarter, are subject to a precise quarterly cut-off for accounting purposes.
- The hospital business (project business) generally uses the POC method.
- 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 book value of the financial asset.

Dividend income from investments is recorded when the shareholder (the Company) is entitled to payment.

Corporation tax
The corporation tax charge consists of the current tax charge and deferred taxes.

The current tax charge is based on the Company's taxable income. The Group's current tax liability as of the reporting date is based on the applicable tax rates.

Deferred tax represents expected future tax savings or additional charges arising from the difference between the book values of assets and liabilities in the consolidated financial statements and the values adopted in the taxable income computation. The liability method is used in the deferred tax calculation. Deferred tax assets are only recognized for taxable timing differences insofar as it is probable that there will be sufficient taxable income to use the deductible timing differences. Deferred tax is not recorded if the timing differences arising from goodwill or another asset/liability do not affect either taxable income or consolidated earnings.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates 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.

Deferred tax assets are recognized for tax losses carried forward. The deferred tax book values are based on the tax rates as at the balance sheet date, which will apply when the debt is paid or the asset is realized. Deferred tax entries generally impact income (with the exception of first time consolidation) unless they relate to items that are directly recognized in equity or other comprehensive income. In this case, the tax is also recognized in other comprehensive income or equity.

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.

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 license fees 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.

An assessment of the recoverable amount for goodwill is based upon budget calculations for the cash generating unit over the next five years using a discount rate reflecting any specific Company risk.

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.

Evidence of impairment for financial instruments include: an aging analysis of trade receivables and an analysis of other receivables.

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 plans, loss carry forward periods and tax planning strategies.

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 taken and the 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 income", "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 this estimates and assumptions. If such a deviation occurs, the assumption is adjusted and, if necessary, the book value of the impacted asset or liability is changed accordingly.

E. Explanation of items on the statement of financial position and income statement

1. Intangible assets

	31.12.2011 EUR '000	31.12.2010 EUR '000
Goodwill	214,415	171,704
Software and other intangible assets	220,148	173,233
Payments on account for software	1,159	15,854
Capitalized in-house services	23,054	19,942
	458,776	**380,733**

The prior-year goodwill and software figures were adjusted to account for the finalization of preliminary purchase price allocations from acquisitions in financial year 2010 (see explanation in the notes under "C. Consolidation principles") as well as a result of adjustments to currency translations (Profdoc Group and Noteworthy) and represented separately (see section "B. General principles"):

Goodwill

The principle components of goodwill can be listed as follows (refer to the appendix attached to these notes for more information about the acronyms for these holdings):

	31.12.2010 before adjustment EUR '000	Adjustment EUR '000	31.12.2010 after adjustment EUR '000	Additions EUR '000	Exchange rate differences EUR '000	31.12.2011 EUR '000
Profdoc-Gruppe	55,488	1,310	56,798		856	57,654
Lauer-Fischer	0		0	31,255		31,255
Systema-Gruppe	14,304		14,304			14,304
Turbomed	14,152		14,152			14,152
Visionary Group	20,109	-9,214	10,895		256	11,151
Ifap	9,290		9,290			9,290
Fimesan	8,517		8,517			8,517
medistar	8,372		8,372			8,372
Fliegel-Dahm-Gruppe	5,739		5,739			5,739
Noteworthy	5,097	-215	4,882		115	4,997
Healthport	0		0	4,666	111	4,777
Innomed	3,791		3,791			3,791
Gruber	3,287		3,287			3,287
Ascon	0		0	3,144		3,144
Axilog	3,092		3,092			3,092
ChreMaSoft	2,697		2,697			2,697
Belgiedata	1,305	1,037	2,342			2,342
CompuMed (aus medev Praxiscomputer GmbH & Co. KG)	2,325		2,325			2,325
HCS	3,299	-1,041	2,258			2,258
CompuMed (from medev Praxiscomputer Verwaltungs-GmbH)	2,136		2,136			2,136
Microcosmos	1,960		1,960			1,960
CSP	1,603		1,603			1,603
SMI	1,595		1,595			1,595
Ispro	1,574		1,574			1,574
Parametix	0		0	899	67	966
Datavital	1,435		1,435			1,435
Lorensbergs	0		0	1,342		1,342
NetpracticeGroup	1,196		1,196			1,196
All for One-Gruppe	1,193		1,193			1,193
medXpert	1,085		1,085			1,085
Dialog	801		801			801
UCF	746		746			746
Avenir	641		641			641
Erudis	337		337			337
Medicine	0		0			0
Tepe	0		0			0
Others	2,661		2,661			2,661
	179,827	**-8,123**	**171,704**	**41,306**	**1,405**	**214,415**

Software and other intangible assets

Software and other intangible assets consist of the following:

	31.12.2010 before adjustment EUR '000	Adjustment EUR '000	31.12.2010 after adjustment EUR '000	31.12.2011 EUR '000	Amortization until
Software rights					
Profdoc	21,470	346	21,816	18,809	30.06.2018
Lauer-Fischer	0		0	9,645	30.06.2021
Visionary Gruppe	10,859	-5,032	5,827	5,129	31.08.2020
Systema HIS	7,477		7,477	6,781	31.08.2021
Tepe	7,088		7,088	4,814	31.12.2016
Noteworthy	4,500	-255	4,245	3,757	28.02.2019
Healthport	0		0	2,936	31.12.2016
Other	12,840	-4,726	8,114	10,728	
Total software rights	**64,233**	**-9,667**	**54,566**	**62,599**	
Customer relations					
Profdoc	35,370	1,156	36,526	35,479	30.06.2038
Visionary Gruppe	12,051	10,095	22,146	21,677	31.08.2030
Lauer-Fischer	0		0	21,483	30.06.2036
Ascon	0		0	11,501	31.12.2031
Innomed	10,779		10,779	10,211	31.12.2029
Healthport	0		0	6,240	31.12.2023
All for One	5,266		5,266	4,564	30.06.2018
Other	15,957	1,270	17,227	16,195	
Total customer relations	**79,422**	**12,521**	**91,943**	**127,350**	
Brands					
Lauer-Fischer	0		0	3,484	30.06.2036
Systema HIS	3,778		3,778	3,426	31.08.2021
Profdoc	3,045	99	3,144	3,054	30.06.2038
Visionary Gruppe	8,034	-5,212	2,822	2,730	31.08.2030
All for One	2,199		2,199	1,906	30.06.2018
Other	4,152	-367	3,785	4,391	
Total brands	**21,208**	**-5,480**	**15,728**	**18,991**	
Other	10,996		10,996	11,208	
	175,860	**-2,626**	**173,233**	**220,148**	

The following additions to goodwill, software rights, customer relations and trademarks resulted from business combinations during the 2011 reporting period:

	Ascon EUR '000	Healthport EUR '000	Lorensbergs EUR '000	Parametrix EUR '000	Lauer-Fischer EUR '000	Total TEUR
Software	2,798	3,603	370	1,614	10,153	18,537
Customer relations	11,563	6,668	310	1,611	15,883	36,035
Trademarks	1,215	0	214	309	3,555	5,294
Order backlog	0	0	0	998	6,763	7,761
Goodwill	3,144	4,665	1,342	899	31,255	41,306
	18,720	**14,936**	**2,236**	**5,432**	**67,609**	**108,933**

Amortization of intangible assets amounted to EUR 30,093 thousand in 2011. There are no extraordinary impairment charges included in these totals.

Capitalized in-house services
In the financial year, EUR 6,474 thousand of in-house services (software development) were capitalized pursuant to the requirements of IAS 38. Measurement is based upon directly attributable production costs plus capitalized borrowing costs of EUR 244 thousand. The average interest rate was 4.62 percent.

For more information about changes to intangible assets, refer to the fixed asset table (appendix (1) and (2) attached to these notes). Amortization of capitalized software development costs was EUR 3,605 thousand in the current reporting period.

Cumulative impairment charges
A cumulative impairment charge of EUR 8.1 million from the 2008 financial year is included under intangible assets. This relates to “TEPE” (impairment charge cooperation agreement: EUR 5.9 million, software EUR 0.8 million, goodwill EUR 1.4 million).

Furthermore, the “goodwill” item includes amortization and depreciation of EUR 5.4 million that resulted from financial years before the IAS/IFRS conversion.

2. Property, plant and equipment
The additions largely relate to expansions and replacements made in computer centers carried out by various subsidiaries, as well as to facilities under construction (EUR 6,428 thousand) to construct a new administration building at the site in Koblenz.

There were no write-downs in 2011.

The Group capitalized borrowing costs of EUR 343 thousand on qualifying assets during the year (previous year: EUR 0 thousand). The average interest rate was 4.65 percent.

We refer to the enclosed tangible assets table for the developments of property, plant and equipment.

3. Financial assets
Investments in associated companies
Valuation is based on IAS 28.

	31.12.2011 EUR ‘000	31.12.2010 EUR ‘000
medigest	553	531
Meco	400	400
Others	18	18
	971	**949**

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. In the past financial year, the Company made an annual profit of EUR 44 thousand on revenue of EUR 766 thousand. The balance sheet total of EUR 335 thousand largely consists of trade receivables of EUR 178 thousand and other assets of EUR 33 thousand as well as cash and cash equivalents of EUR 77 thousand. On the equity and liabilities side, non-current liabilities were the largest item on the balance sheet at EUR 238 thousand. Equity amounted to EUR 3 thousand.

Meco, headquartered in Duisburg, offers individual IT solutions for doctor’s offices and medical centers. It serves as a distribution partner for CompuGroup Medical Arztsysteme and Ispro. Consolidated financial statements for the financial year 1 January to 31 December 2011 are not yet available.

Other
Measurement is based upon acquisition costs. This item relates to the following equity investments and loans (investment percentage is always lower than 20 percent):

Equity investments	31.12.2011 EUR ‘000	31.12.2010 EUR ‘000
CD Software	54	54
IC med	25	25
BFL Gesellschaft des Bürofachhandels	12	12
AES Ärzteservice Schwaben	10	10
TechnoSante S.A.S., Toulouse	4	4
	105	**105**

4. Corporation tax receivables, deferred tax and income tax payables

Corporation tax receivables (EUR 1,698 thousand; previous year: EUR 4,600 thousand) comprise current corporation tax receivables of Group companies. Corporation tax payables (EUR 15,146 thousand; previous year: EUR 10,507 thousand) comprise current tax payables as well as risks from the current tax audit in Germany (EUR 1,800 thousand), which had been essentially completed by the time the consolidated financial statements were published.

Deferred tax assets and liabilities as at 31 December are broken down as follows:

	Assets		Liabilities	
	31.12.2011 EUR '000	31.12.2010 EUR '000	31.12.2011 EUR '000	31.12.2010* EUR '000
Intangible assets	0	0	56,491	36,678
Property, plant and equipment	1,641		102	
Trade receivables	128		4,026	
Provisions for post-employment benefits	595		0	
Derivative financial instruments	1,865		0	
Credit institution liabilities	0		1,435	
Other liabilities	322			
Other differences in the separate financial statements	1,544	2,052	142	3,093
Tax losses carried forward	10,114	4,743		
Offset vs. deferred tax liabilities	-10,358	-686	-10,358	-686
	5,851	**6,109**	**51,838**	**39,085**

* Figures for the previous year have been adjusted (see section "B. General principles")

Deferred tax assets consist of tax losses carried forward, most of which were created regarding the French companies. The largest position is the deferred tax asset from the tax losses carried forward of Axilog (EUR 2.8 million). In Germany, deferred tax assets were principally created for losses carried forward of GIV (EUR 0.5 million). Tax losses can currently all be carried forward and used indefinitely.

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 can change in future years making an adjustment necessary. No deferred tax assets were recognized for tax losses carried forward of EUR 36.8 million (previous year: EUR 29.0 million) as it is likely that tax losses carried forward cannot be used within the scope of tax-related earnings planning.

Deferred tax liabilities largely consist of capitalized in-house services at Group level, allocated software, customer relationships and brand values from Company acquisitions as well as deferred taxes from other consolidations (particularly elimination of inter Company profits).

Deferred taxes have the following maturities:

	31.12.2011 EUR '000	31.12.2010* EUR '000
Deferred tax assets		
Deferred tax assets, realized after more than 12 months	4,242	5,317
Deferred tax assets, realized within 12 months	1,609	792
	5,851	**6,109**
Deferred tax liabilities		
Deferred tax liabilities, realized after more than 12 months	46,001	33,138
Deferred tax liabilities, realized within 12 months	5,837	5,947
	51,838	**39,085**
Net deferred tax liabilities	**45,987**	**32,976**

* Figures for the previous year have been adjusted (see section "B. General principles")

Changes in deferred corporation taxes are as follows:

	2011 EUR '000	2010* EUR '000
1 January	**32,976**	**29,478**
Exchange rate differences	-470	291
Acquired from subsidiaries	19,403	6,651
Charged to the income statement	-4,040	-3,429
Income taxes recognized in equity	-1,882	-15
31 December	**45,987**	**32,976**

* Figures for the previous year have been adjusted (see section "B. General principles")

5. Inventories

	31.12.2011 EUR '000	31.12.2010 EUR '000
Raw materials and supplies	525	69
Work in progress	0	1
Products	3,141	1,248
	3,666	**1,318**

Inventories are mostly hardware components. Both individual and total provisions booked against inventories are immaterial overall. The increase was mainly as a result of the newly acquired company Lauer-Fischer (EUR 2,103 thousand).

6. Trade receivables

The increase of EUR 17,489 thousand was as a result of the newly acquired company Lauer-Fischer, including its subsidiaries.

Provisions for bad debt (including write downs) of EUR 2,683 thousand were made in the financial year (previous year: EUR 1,742 thousand).

Specific bad debt provisions are based on the age of receivables throughout the Group. Doubtful receivables are always written down on an individual basis. The trade receivables value, reduced for specific loss provisions, is a close reflection of the fair value of the receivables because of their short-term nature.

Age of receivables, breakdown of provisions

	31.12.2010 EUR '000	Addition EUR '000	Use/reversal EUR '000	31.12.2011 EUR '000
Receivables aging				
Receivable due since				
0-3 months	41,112			61,964
4-6 months	2,449			3,020
7-12 months	2,253			2,442
> 12 months	2,217			3,989
Specific provisions	-5,306	-2,218	725	-6,799
PoC receivables	3,018			5,142
	45,743			**69,758**
Regions				
Receivables domestic	14,093			35,049
Receivables foreign	36,956			41,508
Specific provisions	-5,306			-6,799
	45,743	**0**	**0**	**69,758**

With respect to the originated 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.

Receivables from the Percentage of Completion Method (PoC)

In total, there are receivables from the PoC method totalling EUR 9,758 thousand (previous year: EUR 5,761 thousand) less received PoC payments of EUR 4,616 thousand (previous year: EUR 2,743 thousand). The corresponding sales are fully included in the income statement. These relate almost exclusively to projects in the Hospital Information System business. The cost-to-cost method was used to determine the degree of completion.

Finance leasing relationships

Lauer-Fischer GmbH offers its clients the leasing of hardware (including all peripheral devices) for up to approximately five years. The contracts are classified as finance leases (IAS 17.10). The following table provides an overview of the financing receivables includes in trade receivables:

	EUR '000
Future minimum lease payments	
< 1 year	5,211
1-5 years	8,404
> 5 years	0
Total net present value	**13,615**
Unrealized financial income	2,294
Unsecured residual value due to lessor	0
Cumulative provisions for non-recoverable minimum lease payments	0
Rental income during the financial year	3,355

7. Other financial assets

	31.12.2011 EUR '000	31.12.2010 EUR '000
Leasing receivables	2,206	2,975
Granted loans and other	7,520	6,715
Long-term other receivables	**9,726**	**9,690**
Short-term loan	2,524	1,418
APO-Bank	4,206	4,206
Short-term other receivables	**6,730**	5,624
	16,456	**15,314**

The receivables from APO-Bank are from 2007 and 2008. The legal proceedings have not yet ended. According to information from the lawyers, this amount is a realistic estimate.

In 2009, Systema Austria carried out a further sale-and-lease-back transaction with a leasing Company. The resulting lease liabilities in the reporting period are recognized under other liabilities at EUR 2.2 million at their present value as of 31 December 2011. Following this transaction the leased asset was sub-leased to a customer of System Austria under approximately the same conditions. The present value of EUR 2.2 million of the resulting receivable is recognized in other receivables. Systema Österreich is therefore acting both as a lessee towards the leasing Company and as a lessor towards the customer.

The following table gives an overview of the resulting leasing receivables and payables:

	EUR '000
Future minimum lease payments	
< 1 year	870
1-5 years	1,336
> 5 years	0
Total net present value	**2,206**
Unrealized financial income	100
Unsecured residual value due to lessor	63
Cumulative provisions for non-recoverable minimum lease payments	0
Rental income during the financial year	824
Rental expenses during the financial year	763

Around EUR 10 thousand in leasing fees were paid and received per annum.

8. Other non-financial assets

	31.12.2011 EUR '000	31.12.2010 EUR '000
Input tax surplus receivable	2,691	3,634
Prepayments for future periods	4,191	3,932
Other	1,894	1,586
Other non-financial assets	**8,776**	**9,152**

9. Securities (recognized at fair value in income)

Investment securities only consist of short-term fixed interest securities held by the Group subsidiary Systema HIS, Austria. These are stated at fair value (market value).

10. Cash and cash equivalents

Positive balances at banks relate to current accounts and earn interest of up to 0.5 percent per year. Changes in cash and cash equivalents are detailed in the cash flow statement.

11. Non-current assets qualified as held for sale

Still pending sale of the office building "Neu-Golm"

A building in Neu-Golm used as an office building up to now and owned by the subsidiary IfAp Institut für Unternehmensberatung und Wirtschaftsdienste im Gesundheitswesen GmbH is for sale (HCS segment). During financial year 2009, new business premises were occupied. Since then the building has not been let. The building is likely to be sold during the first quarter of 2012. The reporting of this building (EUR 300 thousand) as of 31 December 2011 is included in the balance sheet position "non-current assets classified as available for sale".

12. Equity

Changes in equity are detailed in the schedule of changes to equity.

Share capital

	31.12.2011 EUR '000	31.12.2010 EUR '000
Issued and fully paid-in share capital 53,219,350 shares at EUR 1.00 each	53,219	53,219
Authorized share capital 15,598,775 shares at EUR 1.00 each	15,599	15,599

The Company only has 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). Following the 2007 IPO the Company's share capital increased by EUR 7,340,600.00 from EUR 45,878,750.00 to EUR 53,219,350.00 through a capital increase against capital contribution from authorized capital with subscription rights that was approved by the Management Board and the Supervisory Board.

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.

Treasury shares

As of 31 December 2011, CompuGroup Medical AG held 3,216,261 treasury shares, or 6.04 percent of equity capital. The amount pertaining to share capital amounts to EUR 3,216,261. The Company's treasury shares result from the following acquisitions:

Financial year	Buyback program period	Number of shares	Purchase price interval	Average weighted purchase price per share
Balance 2007		532,350		
2008	23 January to 18 April 08	500,000	EUR 8.6430 to 12.6788	EUR 10.3276
2008	22 July to 14 October 08	500,000	EUR 3.8243 to 5.4881	EUR 4.8426
2008	15 October to 30 December 08	428,736	EUR 3.1519 to 4.4279	EUR 3.8849
2009	5 January to 31 March 09	403,876	EUR 3.4100 to 4.7402	EUR 4.0810
2009	1 April to 27 May 2009	500,000	EUR 3.8357 to 4.5988	EUR 4.1578
2009	from 4 June to 31 December 09	125,746	EUR 4.1853 to 6.0000	EUR 5.6852
2010	No acquisitions			
2011	17 August to 31 December 11	225,553	EUR 7.6496 to 9.3140	EUR 8.3033
Total		**3,216,261**		

In accordance with a resolution by the Annual General Meeting on 14 May 2009, the Management Board was authorized to acquire Company 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 AktG, which was amended by the Gesetz zur Umsetzung der Aktionärsrechterichtlinie (ARUG – Law on the Implementation of the Shareholder Rights Directive), an authorization is now 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 Aktiengesetz (AktG – German Stock Corporation Act). At no time may the purchased shares, together with the other treasury shares, which the Company holds or is due according to 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 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 cancellation requiring 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 the equity is not reduced, but instead the percentage of the other shares in the 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).

Equity reserves
Changes to equity reserves are reported in the statement of changes in equity. The previous year's net profit and currency translation differences figures were adjusted (see section "B. General principles"). The principle changes were as follows:

Pursuant to the resolution of the Annual General Meeting dated 11 May 2011, dividends totalling EUR 12,557 thousand were distributed (EUR 0.25 per each share with dividend rights).

The reserves decline by EUR 2,613 thousand because of the acquisition of additional shares from non-controlling interests in holdings after majority ownership had already been attained. These involved the additional shares purchased of Noteworthy Medical Systems Inc., USA and Turbomed GmbH, Germany.

Adjustments to equity reserves also reduced the negative market value of the cash flow hedges (EUR 4,425 thousand) as well as currency translation (EUR 2,169 thousand).

After tax earnings of EUR 9,271 thousand were posted to equity reserves.

If a final dividend is recommended this will be conditional on shareholder approval at the Annual General Meeting. Consequently this is not recorded as a liability in the consolidated financial statements. No corporation tax effects for the Company result from a dividend payment. The total amount of the dividends is based solely on the individual annual financial statements of CompuGroup Medical Aktiengesellschaft.

Non-controlling interests

	31.12.2011 EUR '000	31.12.2010 EUR '000
Profdoc-Gruppe	69	61
Turbomed	0	269
Other	2	2
	71	**332**

The remaining 1 percent of shares in Turbomed GmbH was acquired in December 2011. Its interest in the Company now amounts to 100 percent. EUR -426 thousand of this was recognized in net profit.

13. Provisions for post-employment benefits

Provisions were calculated on the basis of a current actuarial report. The discount rate applied in the calculation as at 31 December 2011 was 4.5 percent (previous year 5.0 percent).

There are pension liabilities owing to eight employees of CompuGroup Medical AG (previously from CompuGroup Medical Arztsysteme GmbH & Co. KG) to pay fixed, retirement/disability or spousal pensions of 60 percent. There are also pension obligations to various employees of different French and Dutch subsidiaries (defined benefit plans). Severance payment provisions, which IAS 19 calls "Post-employment benefits", still exist for most Austrian employees. As these severance payment provisions of EUR 1,651 thousand were recorded under other provisions last year, the balance sheet for the previous year was adjusted accordingly (see section "B. General principles").

Defined benefit obligations and plan assets developed as follows during the financial year:

	2011 EUR '000	2010* EUR '000
Defined benefit obligation 1.1.	3,183	3,118
Current service cost	646	9
Interest cost	307	32
Payments	-123	0
Employee payments	142	0
Actuarial losses	706	24
Obligations acquired through Company acquisitions	3,571	0
Defined benefit obligation 31.12.	**8,432**	**3,183**
Plan assets 1.1.	-608	-602
Expected income from plan assets	-106	-5
Employer payments	-638	0
Additional employer payments	365	0
Employee payments	-142	0
Actuarial gains	-225	-1
Plan assets acquired through Company acquisitions	-1,313	0
Plan assets 31.12.	**-2,667**	**-608**
Provisions 31.12.	**5,765**	**2,575**

* Figures for the previous year have been adjusted (see section "B. General principles")

Total provisions were calculated as follows:

	31.12.2011 EUR '000	31.12.2010* EUR '000
Present value of fund-financial obligations	6,028	1,169
Fair value of plan assets	-2,667	-608
	3,361	561
Present value of not fund-financial obligations	2,404	2,014
Not yet recognized past service cost	0	0
Provision	**5,765**	**2,575**

* Figures for the previous year have been adjusted (see section "B. General principles")

The following amounts were recognized in the income statement:

	2011 EUR '000	2010 EUR '000
Current service cost	646	9
Interest cost	307	32
Expected income from plan assets	-106	0
Additional employer payments	365	0
Actuarial result	481	24
Total personnel expenses	**1,693**	**65**

The following actuarial assumptions were made in determining the defined benefit obligation and related plan assets:

	31.12.2011 Germany %	31.12.2010 Germany %	31.12.2011 Netherlands %	31.12.2010 Netherlands %	31.12.2011 Austria %	31.12.2010 Austria %
Discount rate	4.5	5.0	4.5	5.0	4.5	4.5
Future salary increases	2.4	2.0	2.4	2.4	3.3	3.3
Future pension increases	2.0	2.0	1.9	1.9	n.a.	n.a.
Estimated income from plan assets	4.5	5.2	4.5	5.0	n.a.	n.a.

Domestic pension obligations are based on the typical mortality rates applied in Germany (according to Heubeck 2005 G).

The expected funding requirement arising from post-employment benefits for the financial year ending on 31 December 2012 amounts to EUR 655 thousand.

Changes in provisions for post-employment benefits are given in the following table:

	EUR ‘000	EUR ‘000	EUR ‘000	EUR ‘000	EUR ‘000
Present value of the pension commitment	1,386	1,386	1,478	3,183	8,432
Experience adjustments to gross liabilities	0	0	0	0	0
Present value of plan assets	-220	-63	-602	-608	-2,667

14. Liabilities to banks (current and non-current)

	Due in < 1 Y EUR ‘000	Due in 1-5 Y EUR ‘000	Due in > 5 Y EUR ‘000	Total EUR ‘000
Liabilities 31.12.2011	35,746	233,152	844	269,742
Liabilities 31.12.2010	25,296	180,004	11,428	216,728

Liabilities to banks break down as follows:

Credit institution	Type of financing	31.12.2011 EUR million	31.12.2010 EUR million
Various	Consortium credit	0.0	85.3
Deutsche Bank	Promissory note loan	0.0	12.5
IKB	KfW loan	18.8	20.0
Commerzbank	Redeemable loan	0.0	30.0
SEB AG	Term and Multicurrency revolving loan facility	245.2	59.9
Other		5.8	9.0
		269.8	**216.7**

In January 2010, two loans were taken out with IKB Deutsche Industriebank, Düsseldorf (IKB No. 3 and IKB No. 4) that were refinanced by the KfW (KfW Bankengruppe or German Development Bank). Each loan has a value of EUR 10.0 million. These loans are derived from the ERP innovation program of the KfW and are intended to finance investments at the Company’s location in Koblenz. Both loans were fully utilized as of 31 December 2010. The loan IKB 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 has a term until 30 June 2015. The loan IKB No. 4 has a 4.45 percent 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 833 thousand; the first repayment is due on 30 September 2012. The loan has a term until 30 June 2015. The Company paid a service charge and structuring fee totalling EUR 100 thousand to finalize the loan agreements.

In September 2010, CompuGroup Medical concluded another promissory note loan totalling EUR 25.0 million with a term of ten years and a fixed interest rate.

CompuGroup Medical AG concluded a loan agreement with an execution date of 22 December 2010 for a total sum of EUR 300.0 million. The loan consists of a “term loan facility” (also referred to in the following as “TLF”) for EUR 160.0 million and a “multi currency revolving loan facility” (also referred to in the following as “RLF”) for EUR 140.0 million, both of which mature on 22 December 2015. A change made on 5 May 2011 increase the TLF amount to EUR 190 million; the repayment amounts were adjusted accordingly. The TLF must be repaid in EUR 15 million instalments twice a year from 31 January 2012, whereas the RLF must be repaid at the end of each interest period and can be taken out again immediately thereafter. CGM selected an interest period of three months. The interest rate is based upon 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 2011, EUR 190.0 million of the TLF and EUR 60.0 million of the RLF were utilized. Transaction costs totalling EUR 6.5 million were incurred related to these facilities. These fees will be charged as an expense over the term of the loan agreement. The grant of the loan is linked to meeting certain financial key figures.

The loan agreement with SEB AG includes joint and several guarantees for payment by a number of Group subsidiaries (contingent liability in case of non-payment of CompuGroup Medical AG).

Among other things, the remaining liabilities to banks include:

- Two loans of CompuGroup Medical Deutschland AG, for which land charges of EUR 3.0 million and a payment guarantee by the parent Company were granted as security. The two loans are valued at EUR 2.0 million as of 31 December 2011.
- A loan to systema Deutschland GmbH, for which land charges of EUR 3.0 million were granted. The loan value at 31 December 2011 was EUR 1.5 million.
- A loan of Ifap Neu-Golm, for which land charges and a payment guarantee by Ifap GmbH were granted as security. The loan value at 31 December 2011 was EUR 0.4 million.
- Three loans of CompuGroup Italia, for which various securities were also granted. The three loans are valued at EUR 1.0 million as of 31 December 2011.

15. Purchase price liabilities (short and long-term)

	31.12.2011 EUR '000	31.12.2010 EUR '000
Gruber	3,392	3,389
Profdoc LAB	2,355	2,254
Lauer-Fischer	9,333	0
Belgiedata	1,070	1,032
Non-current purchase price liabilities	**16,150**	**6,675**
Fimesan	124	124
Gruber	440	440
UCF	5,141	4,918
Lauer-Fischer	10,000	0
Ascon	1,100	0
Visionary	0	5,949
Noteworthy	0	627
HCS	100	100
Profdoc Malaysia	0	377
Belgiedata	408	408
Innomed	5,199	4,373
Current purchase price liabilities	**22,512**	**17,316**

Non-current purchase price liabilities (due in more than one year):

Gruber I: The 3.67 percent discounted purchase price liability results from the agreement dated 26 May 2009 concerning the acquisition of the remaining 20 percent of the shares and includes a fixed payment plan until 2013.

Profdoc LAB: Put option of the non-controlling shareholders discounted with 3.67 percent to the nominal value of the shares (SEK 22.0 million). The put option is exercisable from 1 March to 30 April 2013.

Belgiedata: Long-term portion of the discounted with 3.67 percent variable purchase price liability (earn-out clause) based upon the performance of EBITDA in the financial years 2011, 2012, 2013, and 2014, but not to exceed EUR 1.5 million. The estimate of future results remains unchanged as against the previous year; the Company continues to assume a maximum amount over the total term.

Lauer-Fischer: Long-term portion of the discounted 4.64 percent options agreements to offer the remaining 25 percent interest in Lauer-Fischer for EUR 20.0 million. The first share of EUR 10.0 million can be provided immediately following an acquisition by 30 November 2012 and the second share between 1 January and 30 November 2013.

Current purchase price liabilities (due in less than year):

UCF: The purchase price liability results from the put-option right of the 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 by using a Discounted Cash Flow (DCF) model. An unchanged WACC of 7.35 percent and a corporate tax rate of 33 percent have been applied.

Innomed: Purchase price liability from the put option of the non-controlling shareholders totalling EUR 4.4 million for the remaining 29.7 percent of the shares of Innomed. The current value of the put options is based on the estimated average EBITDA in 2011 and 2012 multiplied by the factor 6 and discounted with a discount rate of 7.0 percent.

Gruber: Short-term purchase price liability in accordance with payment plan.

Visionary Group: The payments made in the current financial year (USD 7,320 thousand) resulted in income of EUR 496 thousand.

Belgiedata: Short-term portion of the discounted variable purchase price liability (earn-out clause) based upon the performance of EBITDA in the financial years 2011, 2012, 2013, and 2014, but not to exceed EUR 1.5 million. The estimate of future results remains unchanged as against the previous year; the Company continues to assume a maximum amount over the total term.

Lauer-Fischer: Short-term portion of the options agreements to take over the remaining 25 percent interest in Lauer-Fischer for EUR 20.0 million. The first share of EUR 10.0 million can be tendered immediately following acquisition.

16. Trade payables

The trade payables of EUR 21,182 thousand (previous year EUR 15,224 thousand) all fall due in less than one year. Acquired companies contributed EUR 4,623 thousand to the increase.

17. Other provisions

	01.01.2011* EUR '000	Addition on first time consolidation EUR '000	Use EUR '000	Liquidation EUR '000	Addition EUR '000	31.12.2011 EUR '000
Personnel expenses	9,953	2,627	8,870	723	11,570	14,557
Guarantee	1,250	1,181	1,685	95	973	1,624
External year-end accounting costs	951	44	525	287	964	1,147
Legal charges	560	261	162	137	621	1,143
Other	2,091	703	636	81	2,137	4,214
	14,805	**4,816**	**11,878**	**1,323**	**16,265**	**22,685**

* Figures for the previous year have been adjusted (see section "B. General principles")

Payroll provisions largely relate to bonuses/commissions (EUR 5,465 thousand; prior year EUR 5,899 thousand), holiday pay (EUR 4,253 thousand; prior year EUR 3,708 thousand) and overtime (EUR 838 thousand, prior year EUR 699 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 provision for legal charges results primarily from the subsidiaries CGM Schweiz (EUR 261 thousand), CGM Deutschland AG (EUR 200 thousand) and RSS (EUR 98 thousand). They generally concern legal disputes with former employees and customers.

Provisions for guarantees and legal charges are, by their nature, subject to higher levels of uncertainty.

Currency-related changes to other provisions amount to EUR -16 thousand and were not disclosed separately on grounds of immateriality.

	01.01.2010 EUR '000	Addition on first time consolidation EUR '000	Use EUR '000	Liquidation EUR '000	Additions EUR '000	31.12.2010* EUR '000
Personnel costs	9,485	746	7,273	442	7,437	9,953
Guarantees	1,315	0	1,254	0	1,189	1,250
External year-end accounting costs	906	16	823	64	916	951
Legal charges	617	0	292	210	445	560
Other	1,172	1,261	1,090	76	825	2,091
	13,495	**2,023**	**10,732**	**792**	**10,812**	**14,805**

* Figures for the previous year have been adjusted (see section "B. General principles")

Payroll provisions largely relate to bonuses/commissions (EUR 5,899 thousand; prior year EUR 6,144 thousand), holiday pay (EUR 3,708 thousand; prior year EUR 3,092 thousand) and overtime (EUR 699 thousand, prior year EUR 529 thousand). These were calculated on the basis of the underlying hourly rates and social security deductions.

18. Other liabilities and derivative financial instruments

Other financial liabilities

	31.12.2011 EUR '000	31.12.2010 EUR '000
Leasing liabilities	3,069	3,197
Other financial liabilities	1,278	100
Total non-current financial liabilities	**4,347**	**3,297**
PoC excess liability	4,616	2,743
Employee payables	2,828	4,628
Loans	215	808
Debtors with credit balances	267	451
Total current financial liabilities	**7,926**	**8,630**
	12,273	**11,927**

Other non-financial liabilities

	31.12.2011 EUR '000	31.12.2010 EUR '000
Deferred income	18,859	15,238
VAT, payroll tax	8,130	8,360
Other	100	1,075
Other non-financial liabilities	**27,089**	**24,673**

Other non-current non-financial liabilities consist solely of an investment grant.

Derivative financial instruments

The derivative financial instruments (EUR 6,290 thousand; prior year EUR 1,309 thousand) represent the negative market values of interest rate hedges (interest rate swap), valued by applying the market-to-market-method at fair value.

Derivative financial instruments are as follows:

	31.12.2011		31.12.2010	
	Assets EUR '000	Liabilities EUR '000	Assets EUR '000	Liabilities EUR '000
Interest rate swaps – cash flow hedges	0	6,290	0	0
Interest rate swaps – held for trading	0	0	0	1,309
Total	**0**	**6,290**	**0**	**1,309**
Less long-term portion				
Interest rate swaps – cash flow hedges	0	6,290	0	0
Interest rate swaps – held for trading	0	0	0	0
Long-term portion	**0**	**6,290**	**0**	**0**
Short-term portion	**0**	**0**	**0**	**1,309**

Derivative financial instruments hedge against the effects of interest rate fluctuations. Variable interest rates were fixed with terms and a multicurrency revolving loan facility using interest rate swaps. Interest rate swaps (hedging transactions) were designated in a cash flow hedge with the term and multicurrency revolving loan facility (hedged item). The ineffective portion of cash flow hedges classified in other comprehensive income cost EUR 0 thousand in 2011.

The nominal amount of interest rate swaps in hedge accounting amounted to EUR 250 million as of 31 December 2011 (31 December 2010 interest rate swaps in trading: EUR 100 million).

As of 31 December 2011, the fixed interest rates ranged from 1.83 percent to 2.07 percent; the variable interest rate was the 3 month EURIBOR. As of 31 December 2010, the fixed interest rates amounted to 2.03 percent; the variable interest rate was the 3 month EURIBOR.

Profits and losses from interest rate swaps accounted in the equity hedge reserve as of 31 December 2011 contain interest rate hedging instruments measurements.

19. Revenue

	2011 EUR '000	2010 EUR '000
Software maintenance and other recurring revenue	236,180	156,007
Network income	40,597	40,580
Services	47,000	47,798
Software sales	38,960	37,277
Communication income	11,953	11,921
Hardware sales	19,486	15,562
Other income	2,389	3,229
	396,564	**312,374**

20. Capitalized in-house services

These relate exclusively to self-produced software. In the 2011 financial year, approximately 215 thousand working hours were utilized (previous year: approximately 190 thousand working hours). The country specific hourly rate is between approx. EUR 15 and approx. EUR 55 per hour. In reporting year 2011, research and development costs amounted to approx. EUR 36,133 thousand.

21. Other operating income

	2011 EUR '000	2010 EUR '000
Gain on legal action TEPE (Arbitration Court)	0	1,006
Currency gains	135	191
Compensation received for damages	40	32
Investment grants	1,077	543
Gain on sale of fixed assets	1,912	15
Rental income	172	186
Gains from shareholding revaluations	0	1,506
Other	601	1,071
	3,937	**4,549**

22. Expenses for purchased goods and services

	2011 EUR '000	2010 EUR '000
External software maintenance/hotline/purchased services	45,824	37,324
Hardware	17,187	11,177
Software	6,219	5,184
Software maintenance/hotline	3,459	3,222
Other	1,702	2,073
	74,392	**58,980**

The 'External software maintenance/hot line/purchased services' item primarily relates to external service providers operating the hot line and costs for all external marketing.

23. Personnel expenses

	2011 EUR '000	2010 EUR '000
Salaries	160,996	120,528
Employer social security costs	27,868	23,532
Pension costs		
- defined benefit plans	1,693	169
- defined contributions plans	51	97
	190,608	**144,326**

In 2011, contributions to statutory health insurance organizations amounted to EUR 14,382 thousand (2010: EUR 10,787 thousand).

Employees

The average number of Group employees was 3,321 (previous year: 2,804). This figure only relates to salaried employees. Apprentices and the Management Board of CGM AG have not been included.

24. Other expenses

Other operating expenses breakdown as follows:

	2011 EUR '000	2010 EUR '000
Administrative and selling costs	67,194	52,660
Bad-debt adjustments	1,493	779
Losses on disposal of fixed assets	57	43
Losses on currency exchange	166	93
	68,910	**53,575**
Breakdown of administrative and selling costs:		
Legal and consulting fees	11,660	9,114
Occupancy costs	11,202	8,547
Vehicle costs	6,690	5,426
Travel expenses	8,012	5,544
Advertising	6,548	5,341
Trade fairs	3,150	2,241
Office and business equipment	2,559	2,830
Telephone costs	3,825	2,775
Commissions	5,000	2,491
IT costs (software, maintenance)	1,623	1,563
Postage	1,092	1,132
Insurances/fees/contributions	2,006	1,713
Medicines	0	508
Other	3,827	3,435
	67,194	**52,660**

Other expenses contain leasing payments for building, office equipment and vehicles of EUR 7.6 million (previous year: EUR 5.1 million).

25. Depreciation and amortization

Please refer to the fixed asset schedule for more details. The previous year's figures for amortization on purchase price allocations were adjusted (see section "B. General principles").

26. Results from associates recognized at equity

Equity	2011 EUR '000	2010 EUR '000
HCS	0	197
Medigest	22	16
	22	**213**

There were no financial statements available as at 31 December 2010, for Technosante Nord-Picardie, MECO, AxiService, Nice and Mediaface.

27. Financial income and expenses

Financial income

	2011 EUR '000	2010 EUR '000
Bank interest	661	1,150
Leasing/capitalization interest income	796	0
Currency gain on loans	3,021	1,961
Other	348	160
	4,826	**3,271**

Financial expenses

	2011 EUR '000	2010 EUR '000
Bank interest	11,442	6,979
Capitalized borrowing costs on qualified assets	-587	0
Currency loss on loans	615	962
SWAP	75	447
Loan origination fees	2,674	371
Accrued interest from purchase price liabilities	1,686	474
Fees of premature loan re-payment	0	673
Other interest	401	250
	16,305	**10,156**

28. Income taxes

Taxes on income break down as follows:

	2011 EUR '000	2010 EUR '000
Current taxes	-19,967	-13,171
Deferred taxes	4,040	3,429
	-15,927	**-9,742**

The previous year's figures for deferred taxes were adjusted (see section "B. General principles").

The consolidated tax rate serves as the basis for corporation tax and legal structure planning. The consolidated tax rate is understood to be the rate that includes statements about the (income) tax charge of the Company. For accounting purposes the consolidated tax rate equals the actual income tax charge divided by the profit before tax.

Consequently, the consolidated tax charge is the sum of current and deferred tax whereby utilization of losses brought forward, the use of tax credits and 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:

	2011		2010	
	EUR '000	%	EUR '000	%
Earnings before taxes	25,198		26,530	
Nominal tax rate (29.65%) theoretical tax expense	7,471	29.65	7,866	29.65
Turkey and Malaysia – no tax savings	781	3.1	487	1.8
Derecognition of deferred tax assets	0	0.0	1,013	3.8
Lower foreign tax rates	260	1.0	313	1.2
Tax reimbursement for prior years	-90	-0.4	-193	-0.7
Tax audit expenses	1,800	7.1	0	0.0
Tax exempt income from sale of shareholdings	0	0.0	-447	-1.7
Tax expenses from permanent differences	1,483	5.9	0	0.0
Unrecognized foreign losses	4,041	16.0	0	0.0
Non-deductible expenses and other	181	0.7	703	2.6
Effective tax expense	**15,927**	**63.2**	**9,742**	**36.7**

Under German tax regulations, taxes on income include the "Körperschaftsteuer" (corporation tax), "Gewerbesteuer" (local business tax) and the "Solidaritätszuschlag" (solidarity surcharge for the former East Germany).

The consolidated weighted average tax rate amounted to around 29.65 percent in the last financial year (previous year: 29.65 percent).

No taxes arose in connection with the discontinuation of business divisions. In addition, income tax expenses do not include expenses or revenues from changes in accounting or valuation methods.

29. Earnings per share

	2011 EUR '000	2010 EUR '000
Earnings attributable to the shareholders of the parent Company (EUR '000)	9,159	16,629
Number of no-par value common shares	53,219,350	53,219,350
Number of treasury shares	-3,216,261	-2,990,708
Basis (number) from 4 May 2007	50,003,089	50,228,642
Earnings per share (EUR)		
- undiluted	0.18	0.33
- diluted	0.18	0.33

The share options program begun in 2008 will only affect the diluted earnings per share marginally.

A total of 101,835 shares were acquired in the period between the balance sheet date and the publication of the consolidated financial statements.

F. Segment reporting

The previous year's figures were adjusted in accordance with the changes to the balance sheet and total comprehensive income (see section "B. General principles").

To define the business segments the Management Board draws on reports that are also available to the Supervisory Board and analysts for their strategic decisions.

The Group is currently divided into three divisions and into six regional divisions derived from the matrix organization.

These divisions can be described as follows:

- HPS (Health Provider Services): development and sale of software solutions for physicians and dentists in their practices and for use in hospitals.
- HCS (Health Connectivity Services): networking service providers (physicians, dentists and hospitals) with other important market participants in the healthcare sector such as sponsors, pharmaceutical companies and generic drug producers.
- CHS (Consumer Health Services): products and services for covering the growing demand for health-related information for patients (electronic patient services).

The regional divisions encompass:

CE (Central Europe)	Germany, Luxemburg
CEE (Central Eastern Europe)	Austria, Poland, Czech Republic, Slovakia, Greece, Switzerland
NE (Northern Europe)	Norway, Sweden, Denmark, Latvia, Netherlands
SE (South Europe)	France, Italy, Spain, Belgium
ALM (Asia, Latin America, Middle East)	Turkey, Malaysia, Saudi Arabia, South Africa
NA (North America)	USA, Canada

The column "All other segments" depicts the non-operational holding companies and the column "Reconciliation reporting" depicts the consolidation measures between the segments. Business fields depicted that do not exceed that threshold set in IFRS 8 have nevertheless been treated as reportable operating segments, if in future they will probably contribute to Group growth to a significant extent. Transactions between the business divisions have in principle been carried out as if they were between external third parties.

The segment information is based on the same disclosure and valuation methods as the consolidated financial statements. The business relationships between the companies of the Group's segments are conducted at prices to which third parties have also agreed. In the segment reporting by region the breakdown of revenue is based on the country where the Company providing performance is located.

G. Other notes

Notes on the cash flow statement

The cash flow statement was prepared under the indirect method (cash flow from operations). It shows how cash and cash flow equivalents have changed within the Group during the financial year. In accordance with IAS 7 cash flows are divided into operations, investments and financing. The previous year's figures were adjusted in accordance with the changes to the balance sheet and total comprehensive income (see section "B. General principles").

Cash and cash equivalents

Cash and cash equivalents (available cash as of the balance sheet date) recognized in the cash flow statement total EUR 23,979 thousand (previous year: EUR 42,180 thousand).

Financial instruments

The Group has various financial assets, such as trade receivables and cash and cash equivalents, which result directly from operations.

Most of the financial liabilities utilized by the Group – with the exception of derivative financial instruments – are liabilities to banks, trade payables and purchase price liabilities. The main purpose of these financial liabilities is financing the Group's operations.

In accordance with an internal Group directive, no trading with derivatives has taken place up to now nor will take place in future. The most significant risks to the Group arising from financial instruments are interest risks. The Board of Management of the Company decides on strategies and procedures to control individual types of risks that are presented below.

Normal market purchases and sales of financial assets and liabilities are recorded at the settlement amount.

The following table presents carrying amounts and valuation of the Group's financial instruments grouped by categories according to IAS 39. The financial instruments in the category "available for sale" include investments at a rate of less than 20 percent reported as other financial investments. Due to the lack of a reliable valuation base, these are recognized at the cost of acquisition. There are no other financial instruments in the category "available for sale". As of 31 December 2011, management has no intention to dispose of the financial assets "available for sale".

	Category IAS 39	31.12.2011 Book value EUR '000	Fair Value EUR '000
Financial assets			
Cash and cash equivalents	LaR	23,979	23,979
Trade receivables	LaR	69,758	70,278
Other receivables	LaR	14,250	14,250
Leasing receivables	–	2,206	2,206
Other financial assets	AfS	105	105
Securities	FVtPL	178	178
Total financial assets		**110,476**	**110,996**
Financial liabilities			
Liabilities to banks	oL	269,742	270,885
Purchase price liabilities	oL	38,662	38,827
Trade payables	oL	21,182	21,182
Other liabilities	oL	9,204	9,204
Leasing liabilities	–	3,069	3,069
Interest rate swaps – cash flow hedges	–	6,290	6,290
Interest rate swaps – held for trading	FVtPL	0	0
Total financial liabilities		**348,149**	**349,457**
Total per category			
Assets available for sale	AfS	105	105
Loans and receivables	LaR	107,987	108,507
Financial assets at fair value in income	FVtPL	178	178
Other financial liabilities	oL	338,790	340,098
Financial liabilities at fair value in income	FVtPL	0	0

	Category IAS 39	31.12.2010 Book value EUR '000	Fair Value EUR '000
Financial assets			
Cash and cash equivalents	LaR	42,180	42,180
Trade receivables	LaR	45,743	45,743
Other receivables	LaR	12,339	12,339
Leasing receivables	–	2,975	2,975
Other financial assets	AfS	105	105
Securities	FVtPL	73	73
Total financial assets		**103,415**	**103,415**
Financial liabilities			
Liabilities to banks	oL	216,728	216,728
Purchase price liabilities	oL	23,991	23,991
Trade payables	oL	15,224	15,224
Other liabilities	oL	8,730	8,730
Leasing liabilities	–	3,197	3,197
Interest rate swaps – cash flow hedges	–	0	0
Interest rate swaps – held for trading	FVtPL	1,309	1,309
Total financial liabilities		**269,179**	**269,179**
Total per category			
Assets available for sale	AfS	105	105
Loans and receivables	LaR	100,262	100,262
Financial assets at fair value in income	FVtPL	73	73
Other financial liabilities	oL	264,673	264,673
Financial liabilities at fair value in income	FVtPL	1,309	1,309

The fair values of the individual valuation categories on the balance sheet date approximately correspond to the book values. The fair values of the non-current categories (particularly liabilities to banks) are calculated as net present value of the cash flows of the underlying assets or liabilities on the basis of applicable yield curves by considering a reasonable credit spread.

Securities and swaps are measured at fair value. The fair value of securities is based upon publicly quoted prices on active markets as of the balance sheet date and are therefore classified as level 1 type assets in the fair value hierarchy of IFRS 7. The fair value of the interest rate swaps is based upon measurement methods that use inputs that are observable and available and are therefore classified as level 2 type assets in the fair value hierarchy of IFRS 7.

Write-downs on financial assets
With respect to trade receivables please see the valuation adjustment schedule. No write downs were reported with respect to financial assets in the reporting year.

Net profits and losses from financial assets
With respect to valuation adjustments on trade receivables please see the valuation adjustment schedule.

Net profits and losses on financial liabilities
There were currency gains of EUR 3,021 thousand as well as currency losses of EUR 615 thousand as well as loan origination fees of EUR 2,674 thousand and accrued interest from purchase price liabilities of EUR 1,686 thousand.

Maturity analysis – liabilities

Overdue trade payables are as follows:

	31.12.2011 EUR '000	31.12.2010 EUR '000
Overdue by:		
0-3 months	21,058	14,883
4-6 months	17	29
7-12 months	69	281
> 12 months	38	31
	21,182	**15,224**

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 under trade receivables).

The default risk to liquid assets is limited, because these are held at banks to which credit rating agencies have assigned a high credit rating. The Group does not have any significant concentration of default risks because these risks are distributed across a large number of contractual parties and customers.

Currency risk

Fluctuating exchange rates influence the market success and gross revenues of exporting companies. In 2011 about 51 percent of sales were achieved abroad; of this amount however, over 76 percent came from within the EU. No hedging of possible exchange rate risks was carried out.

The balance sheet includes the following items in foreign currency (Czech koruna, Polish zloty, Turkish lira, Swiss francs, Norwegian krone, Danish krone, Swedish krone, US dollars, Canadian dollars, Malaysian rinngits, South African rand and Saudi Arabian riyals):

	31.12.2011 EUR '000	31.12.2010 EUR '000
Trade receivables	14,387	12,283
Tax and other receivables	3,919	5,943
	18,306	18,226
Trade payables	-3,728	-6,504
Other liabilities	-12,742	-10,645
Tax liabilities	-537	-475
	-17,007	-17,624
Net balance	**1,299**	**602**

The net item (receivable) after taking account of the various foreign currencies amounted to EUR 1,299 thousand on the balance sheet date (previous year: EUR 602 thousand). Consequently, a change in exchange rates would not have a significant impact on consolidated income.

Interest-rate risk

CompuGroup Medical AG's interest rate risk arises from variable interest rate non-current liabilities. It was completely absorbed in the financial year by interest rate transactions. At 31 December 2011, the liabilities to banks total EUR 269.7 million. The effects of interest rate fluctuations on interest rate swaps designated as cash flow hedges are detailed below. Borrowings that bear fixed interest rates are excluded from this analysis.

If market interest rates on 31 December 2011 had been 100 basis points higher or lower, other comprehensive income would have been EUR 9,034 thousand higher or EUR 9,332 thousand lower. There was no effect on the net result as the interest rate transactions are designated as completely effective hedges.

Capital management

CompuGroup Medical AG has the aim of sustainably securing the equity basis and achieving a suitable yield on the capital utilized. However, the Group's accounting capital is only a passive risk control criteria, while sales and EBITDA are active control elements.

The consolidated equity ratio is 26.3 percent (previous year: 33.5 percent), which was primarily influenced by ongoing acquisitions as well as dividend payments (EUR 12.6 million; previous year: EUR 12.6 million).

In addition, there are so-called "financial covenants" from the syndicated credit agreement. The financial key figures (financial covenants) include consolidated equity ratio among other things. CompuGroup Medical's strategy is to sustain the financial covenants named in the credit agreement in order to continue the financing granted within the existing syndicated loan at unchanged or improved terms (the interest rate margin is tied directly to a financial covenant).

Other financial obligations, commitments and other information

As at the balance sheet date the Group had open obligations from operating leases that cannot be cancelled, maturing as follows:

	31.12.2011 EUR '000	31.12.2010 EUR '000
Within one year	9,590	5,726
Between two and five years	12,220	7,509
More than five years	7,825	3,819
	29,635	**17,054**

Payments from operating lease relationships involve rent for the Group's office equipment and particularly for office buildings (without purchase option). Leasing relationships are concluded for an average term of three years. The rents are fixed for three to seven years. Operating leasing relationships are shown in the balance sheet with a pro rata effect on income.

There are no larger purchase commitments from operations. As part of a project contract concluded in November 2008 with the Vienna Hospital Group (KAV), Systema Human Information Systems GmbH gave a performance guarantee for EUR 3.6 million to KAV. Furthermore, the Company has deposited EUR 23 thousand with the landlord for the rental of office space and a computer center in St. Pölten.

Additional information

CompuGroup Medical Österreich GmbH has deposited over EUR 20 thousand with the landlord for the rental of office space in the premises in Hall.

Systema Deutschland GmbH gave a performance guarantee in relation to a customer transaction of EUR 44 thousand as well as a rent guarantee of EUR 6 thousand at Raiba Oberessendorf.

CompuGroup Medical AG has assumed a guarantee in favor of Meteksan Sistem ve Bilgisayar Teknolojileri A.S. for YTL 210 thousand (EUR 98 thousand) for Tepe Teknolojik Servisler A.S.

In the course of its business "Tepe International A.S" participates in foreign and domestic tenders and normally must provide a guarantee in order to participate in the tender. To secure this deposit CompuGroup Medical AG has guaranteed USD 5 million at Fortis Bank (Turkey).

Under the terms of the joint venture agreement of 15 November 2004 between United Pascal Holdings B.V. and CompuGroup Beteiligungsgesellschaft to found UCF Holding S.a.r.l. Luxembourg, CompuGroup Medical AG as the parent Company is obliged to guarantee the liquidity of CompuGroup Beteiligungsgesellschaft. The reason for this is that United Pascal Holdings B.V. has, at term, the right to sell its minority stake. The purchase obligation as of 31 December 2011 amounted to EUR 5.1 million.

The Company has taken over a guarantee for EUR 1,061 thousand in favor of the landlords Friedrich and Jan Christopher GmbH and Geschwister Christoffer GbR on behalf of the associate Company Medistar Praxiscomputer GmbH as part of an existing rental agreement. The Company has given a surety of EUR 15 thousand to Gesmo Gesellschaft für Mobilfunkservices mbH, Marburg at Commerzbank.

The Company has taken over a guarantee of EUR 350 thousand in favor of BECOM Electronics GmbH for Gesellschaft KoCo Connector AG limited until 31 December 2012.

In accordance with the guarantee bond dated 29 August 2011, the Company has given a credit guarantee limited to USD 2,500,000 to Bank of America for CompuGroup Holding US Inc.

The American subsidiary CompuGroup Medical Inc. has deposited a rent guarantee in the amount of EUR 24 thousand for the landlord at Idaho Central Credit Union as well as a rent guarantee of EUR 144 thousand for KPL Landerhaven, LLC.

The sellers have an irrevocable put option for the acquisition of the remaining shares (24.5 percent) of CompuGroup Medical Sweden AB in Profdoc LAB, AB in the year 2013 at a purchase price of SEK 22.05 million (equivalent to EUR 2.47 million as of 31 December 2011). CompuGroup Medical AG has guaranteed the payment as per the credit guarantee dated 22 September 2009.

The Turkish subsidiary Tepe International A.S has issued guarantees of EUR 462 thousand for customer orders.

The Turkish subsidiary CompuGroup Medical Bilgi Sistemleri A.S. has issued guarantees of EUR 306 thousand for customer orders as well as a rent guarantee of EUR 5 thousand.

An interest and principle guarantee has been entered into in favor of Landesbank Saar Girozentrale on behalf of the associated Company IMMO I GbR (in the course of the purchase of additional shares and subsequent merger with CompuGroup Beteiligungsgesellschaft mbH) with relation to financing by Landesbank Saar Girozentrale. CompuGroup Medical AG undertakes to ensure that the debtor assumes all present and future interest and principle payments on time or else will make such payments for them.

This refers to two loans with the following conditions:

Initial loan amount EUR	Interest rate percent	Monthly annuity EUR	Duration
1,121,000.00	5.5	12,144.17	30.12.2012
1,879,000.00	5.5	0	30.12.2012
3,000,000.00		**12,144.17**	

Only interest will be paid for the loan for EUR 1,879 thousand until 30 December 2012.

The loans were valued at EUR 2,024 thousand on 31 December 2011.

As part of the interest rate adjustment on 30 December 2012 a repayment agreement has to be made within 10 years so that the total term of 20 years is not exceeded.

Disclosures on related parties

Frank Gotthardt holds direct and indirect interests of 35.71 percent in CompuGroup Medical AG through GT 1 Vermögensverwaltung GmbH. From his membership in two pools from financial year 2007 with terms until 31 December 2015, Frank Gotthardt is due voting rights in the pools tied to the shares of the other pool members. Taking into consideration these voting rights, Frank Gotthardt's share of the shares with voting rights in CompuGroup Medical AG amounts to more than 45 percent since financial year 2007.

The shareholder group "Gotthardt family/Dr. Koop" holds in total more than 50 percent of the voting shares.

As a result, all of the associated companies listed in the report on equity investments are associated with CGM AG where a corporate relationship exists with Frank or Dr. Daniel Gotthardt.

Frank Gotthardt (Chairman of the Management Board of CGM AG) received EUR 508 thousand (previous year: EUR 490 thousand) from leasing a property in Koblenz to CompuGroup Medical AG and CompuGroup Medical Deutschland AG.

During the reporting year, Dr. Daniel Gotthardt leased parking spaces to CompuGroup Medical AG (EUR 30 thousand; previous year: EUR 30 thousand).

In addition, the Company has rental contracts for office and parking space, service contracts, and other contracts for the delivery of goods with CO-PRA Computer-Praxisanwendungen GmbH & Co. KG, Gotthardt Informationssysteme GmbH, GT1 Vermögensverwaltung GmbH, GT2 Beteiligungen GmbH, GT3 Software und Beteiligung GmbH, GTS PraxisShop GmbH, INFOSOFT Informations- und Dokumentationssysteme GmbH, INFOSOFT Softwareentwicklung GmbH, mps public solutions GmbH, mps software & systems GmbH and Citywerk GmbH RheinMassiv Verwaltung AG (the shareholder is Frank Gotthardt in each case). These transactions are based on services contracts at arm's length terms and conditions. The transfer of costs also does not include a profit element. As of 31 December 2011, the Group's receivables against these companies amounted to EUR 67 thousand, the liabilities amounted to EUR 41 thousand.

There were no related collaterals. The Company concluded an advertising agreement with the KEC Kölner Eishockey Gesellschaft "Die Haie" mbH in 2010 (the parent Company of KEC is SHC Sport Holding Cologne GmbH, whose shareholders include, among others, Frank Gotthardt, Uwe Eibich and Jan Broer). The agreement term is for the time period starting 1 May 2010 until 30 April 2011 and extends automatically for another year unless one of the parties cancels the agreement in writing no later than 1 March of the last agreement year. The annual fee for the agreement is EUR 152 thousand and is considered to be a market rate.

CompuGroup Medical AG indirectly purchased an interest in Lorensbergs Ltd. for EUR 1,100,000.00 through the acquisition of interest in Lohrensbergs Holding AB, Gothenburg, Sweden on 19 January 2011. The financial adequacy of the purchase price was confirmed in a fairness opinion dated 8 March 2011 by DELTA Revision GmbH, Mannheim.

CGM indirectly sold Lorensbergs Ltd. in England to mps public solutions GmbH for a purchase price of EUR 1,100,000.00 including defined working capital of EUR 273,000.00 (GBP 228,000) through its subsidiary Lorensbergs Holding AB. mps public solutions GmbH paid Lorensbergs Holding AB a purchase price of EUR 1,100,000.00 on acquisition. mps public solutions GmbH also paid existing equity of EUR 480,000.00 (GBP 400,000) to Lorensbergs Holding AB corresponding to fixed payment plan, as most of the cash and cash equivalents were fixed at the time of the sale of Lorensbergs Ltd. The total amount of the existing capital of EUR 480,000.00 was paid out in full to Lorensbergs Holding AB in financial year 2011.

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 made publicly accessible on the Company's website (www.cgm.com).

Auditing fees according to Section 314 (1) No. 9 HGB

The following table takes account of all fees, including expenses and all additional costs, due to PricewaterhouseCoopers Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft for the 2011 financial year.

The "annual financial statement" item includes the fees for auditing the individual annual financial statements, the consolidated statement and the dependent Company report of CompuGroup Medical AG, as well as the fees for auditing various subsidiaries.

	EUR
Annual financial statement	398,008
Tax accounting services	49,031
Other services	3,090
	450,129

Post balance sheet events

Share repurchase program

On 2 January 2012, CompuGroup Medical AG started a share repurchasing program for the purchase of up to 500,000 shares. The program has a maximum term until 30 June 2012.

Up to the balance sheet date on 7 March 2012, a total of 101,835 shares were repurchased at an average share price of EUR 8.8488. Treasury shares as of the reporting date of 7 March 2012 amounted to 3,318,096 shares.

Acquisition of Microbais Werkmaatschappij B.V., Netherlands

In January 2012, CompuGroup Medical AG concluded an agreement for the complete takeover of Microbais Werkmaatschappij B.V. Microbais is one of the market leaders in physician and pharmacy information systems in the Netherlands. The Company expects revenue of around EUR 11.2 million in 2011, as well as EBITDA of some EUR 2.5 million. The purchase price amounts to roughly EUR 15.0 million and was financed with cash and cash equivalents and an existing line of credit. Microbais employs around 90 employees and is headquartered in Amsterdam. Around 475 pharmacies as well as 150 doctors' offices count among the Company's customers. This is equivalent to a market share of about 25 percent within pharmacies and 4 percent within office-based physicians in the Netherlands. With this acquisition, CompuGroup Medical increases its market shares in the Dutch pharmacy and physician software markets to around 45 percent and 15 percent respectively. Customers will be provided with access to the international product platform of CompuGroup Medical and benefit from SAM solutions (intelligent software assisted medicine) that are worldwide leading in terms of innovation and security. In this transaction CompuGroup Medical also acquires a 51 percent majority holding in MediPharma Online, a start-up enterprise in the field of networking between patients and pharmacies.

Acquisition of Effepieffe srl., Italy

In January 2012, CompuGroup Medical signed a purchase agreement for 100 percent of the shares in Effepieffe srl. through its Italian subsidiary CompuGroup Medical Italia spa. Revenue from Effepieffe amounted to approximately EUR 1.2 million in 2011 and EBITDA of roughly EUR 0.5 million. The purchase price for 100 percent of the shares amounts EUR 3.4 million. There are also options of EUR 1.0 million that become due once the 100 percent hurdle is achieved. The Company counts around 8,000 general practitioners as its customers and ranks number three in the provision of physician information systems in Italy. With its latest acquisition, CompuGroup Medical takes a further step in progressively extending its market position in Italy. Since entering the market in 2006, the Company has been running a strict growth strategy and is now, owning a 40 percent market share, the market leader in the field of primary care in Italy. Strategically, Effepieffe focuses on the north-Italian market. Headquartered in Milan, the majority of Effepieffe's customers are located in that area.

Management Board and Supervisory Board

Management Board:	
Frank Gotthardt	Chief Executive Office – Chairman of the Supervisory Board of Rhein Massiv Systembau 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.
Christian B. Teig	Chief Financial Officer – Chairman of the Supervisory Board of CompuGroup Medical Deutschland AG
Uwe Eibich	Executive Vice-President Central-Europe
Supervisory Board:	
Prof. Dr. Klaus Steffens (Chairman)	Businessman – Member of the Supervisory Board of MTU Aero Engines Holding AG – Member of the Advisory Board of Poppe + Potthoff GmbH
Dr. Klaus Esser (Deputy Chairman)	Businessman – Managing Director, General Atlantic GmbH – Chairman of the Supervisory Board of Amedes Holding AG
Prof. Dr. Rolf Hinz	Orthodontist in private practice – Chairman of the Supervisory Board of Stadtmarketing Herne GmbH
Dr. Daniel Gotthardt	Doctor, Universitätsklinikum Heidelberg
Mathias Lange (Employee-representative)	Human Resources Assistant CompuGroup Medical AG
Ralf Glass (Employee-representative)	Commercial clerk CompuGroup Medical AG – Member of the Supervisory Board of CompuGroup Medical Polska Sp.z.o.o. – Member of the Supervisory Board of CompuGroup Medical Deutschland AG

The total remuneration of the Management and Supervisory Board is as follows:

Total remuneration	2011 EUR '000	2010 EUR '000
Management Board		
Fixed compensation	1,000	1,233
Variable compensation	1,516	1,523
Fringe benefits	11	657
	2,527	3,413
Supervisory Board	**260**	260
	2,787	**3,673**

Christian B. Teig holds an option to purchase CompuGroup Medical shares amounting to 375 thousand shares, the duration of which is linked to his term of office as director (94 thousand accrue after 12 months, 188 thousand accrue after 24 months, 282 thousand accrue after 36 months and 375 thousand after 48 months). Christian B. Teig may exercise this option within two months after the 48th month of his activity as Finance Director on the board. If he leaves the Board before the end of the 4 year option period at his own request then he may only exercise the number of shares that have accrued to date. If after the first six months and before the end of the 4 year period Christian B. Teig is dismissed on reasons that do not lie with any breach of contract on his part then he may exercise the option to purchase the full 375 thousand shares within two months of leaving the Board. The exercise price of the stock options is EUR 5.50. The fair value of an option on its grant date was EUR 1.25 per option.

The remuneration report in the Group management report provides an individual breakdown of remuneration of the Management Board and Supervisory Board members.

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 their annual financial statements. This concerns the following companies:

- CompuGroup Medical Deutschland AG, Koblenz.
- Intermedix Deutschland GmbH, Koblenz.
- CompuGroup Medical Software GmbH, Koblenz.
- CompuGroup Medical Dentalsysteme GmbH, Koblenz.
- MediStar Praxiscomputer GmbH, Hanover.
- Systema Deutschland GmbH, Koblenz.
- IfAp Service Institut für Ärzte und Apotheker GmbH, Martinsried.
- All for One Enterprise Solutions GmbH, Eberhardszell-Oberessendorf.
- AESCU DATA Gesellschaft für Datenverarbeitung mbH, Winsen.

Responsibility Statement by the Management Board
We certify that, to the best of our knowledge based on applicable accounting policies, the financial statements give a true and fair view of the Group's actual assets, financial situation and earnings. We furthermore certify that the Group management report gives a true and fair view of the business activities including the annual results and the condition of the Group, and that the inherent opportunities and risks for future development are explained.

Koblenz, 7 March 2012

CompuGroup Medical Aktiengesellschaft
The Management Board

Frank Gotthardt Christian B. Teig Uwe Eibich

Changes in Intangible and Tangible Assets

	Purchase or manufacturing costs						
	01.01.2011 EUR ´000	Initial consolidation additions EUR ´000	Other additions EUR ´000	Transfers EUR ´000	Disposals EUR ´000	Currency differences EUR ´000	31.12.2011 EUR ´000
Intangible assets							
Goodwill	178,513	41,306	0	0	0	1,405	221,224
Software, licenses and other intangible assets	320,114	70,012	3,107	315	-178	-3,244	390,126
Prepayments on software	15,854	0	689	-15,284	0	-101	1,158
Capitalizes in-house services	31,283	0	6,718	0	0	0	38,001
	545,764	111,318	10,514	-14,969	-178	-1,940	650,509
Tangible assets							
Land and buildings	26,763	3,234	1,067	361	-2	-204	31,219
Other assets, plan and office equipment	25,347	3,105	4,460	196	-2,011	-1,156	29,941
Assets under construction	2,944	0	6,841	-588	0	0	9,197
	55,054	6,339	12,368	-31	-2,013	-1,360	70,357
	600,818	**117,657**	**22,882**	**-15,000**	**-2,191**	**-3,300**	**720,866**

* Adjustment of prior-year figures (See notes section "B. General Principles")

	Purchase or manufacturing costs						
	01.01.2010 EUR ´000	Initial consolidation additions EUR ´000	Other additions EUR ´000	Transfers EUR ´000	Disposals EUR ´000	Currency differences EUR ´000	31.12.2010* EUR ´000
Intangible assets							
Goodwill	156,019	19,843	0	0	0	2,651	178,513
Software, licenses and other intangible assets	272,899	50,362	2,795	420	-4,916	-1,446	320,114
Prepayments on software	42	15,000	1,232	-420	0	0	15,854
Capitalizes in-house services	24,150	0	7,133	0	0	0	31,283
	453,110	85,205	11,160	0	-4,916	1,205	545,764
Tangible assets							
Land and buildings	25,589	361	1,703	0	-1,091	201	26,763
Other assets, plan and office equipment	20,972	524	4,700	0	-1,873	1,024	25,347
Assets under construction	2,055	0	1,052	0	-163	0	2,944
	48,616	885	7,455	0	-3,127	1,225	55,054
	501,726	**86,090**	**18,615**	**0**	**-8,043**	**2,430**	**600,818**

* Adjustment of prior-year figures (See notes section "B. General Principles")

Depreciation					Book values	
01.01.2011 EUR ´000	Additions EUR ´000	Currency Disposals EUR ´000	differences EUR ´000	31.12.2011 EUR ´000	31.12.2011 EUR ´000	31.12.2010* EUR ´000
6,809	0	0	0	6,809	214,415	171,704
146,881	26,487	-124	-3,266	169,978	220,148	173,233
0	0	0	0	0	1,158	15,854
11,341	3,605	0	0	14,946	23,055	19,942
165,031	30,092	-124	-3,266	191,733	458,776	380,733
3,787	1,082	0	-8	4,861	26,358	22,976
12,189	5,236	-1,370	-759	15,296	14,645	13,158
0	0	0	0	0	9,197	2,944
15,976	6,318	-1,370	-767	20,157	50,200	39,078
181,007	**36,410**	**-1,494**	**-4,033**	**211,890**	**508,976**	**419,811**

Depreciation					Book values	
01.01.2010 EUR ´000	Additions EUR ´000	Currency Disposals EUR ´000	differences EUR ´000	31.12.2010* EUR ´000	31.12.2010* EUR ´000	31.12.2009 EUR ´000
6,809	0	0	0	6,809	171,704	149,210
127,074	25,132	-4,821	-504	146,881	173,233	145,825
0	0	0	0	0	15,854	42
7,755	3,586	0	0	11,341	19,942	16,395
141,638	28,718	-4,821	-504	165,031	380,733	311,472
2,988	982	-185	2	3,787	22,976	22,606
8,994	4,132	-1,676	739	12,189	13,158	11,978
0	0	0	0	0	2,944	2,055
11,982	5,114	-1,861	741	15,976	39,078	36,634
153,620	**33,832**	**-6,682**	**237**	**181,007**	**419,811**	**348,106**

Company Acquisitions in the Financial Years 2010 to 2012

Purchase date	Visionary 01.09.2010	Belgiedata 31.12.2010	HCS 01.12.2010	Ascon 01.01.2011	Healthport 01.01.2011	Lorensberg 01.01.2011	Parametrix 01.01.2011
1) Assets							
I. Non-current assets	507	54	95	2,261	687	168	160
II. Current assets – cash	232	244	616	1,078	254	1,454	0
III. Current assets, without cash	2,228	124	767	2,975	2,546	1,628	879
2) Liabilities and equity							
I. Non-current liabilities	196	0	0	2,235	149	0	0
II. Current liabilities	4,607	189	1,289	3,052	3,377	769	1,505
3) Acquisition of shareholder´s equity	**-1,836**	**233**	**189**	**1,026**	**-39**	**2,482**	**-465**
Minorities	0	0	0	0	0	0	0
Purchase price allocation							
Goodwill, Software	6,388	212	686	2,798	3,603	370	1,614
Goodwill, business value	11,453	2,342	2,258	3,144	4,665	1,342	899
Goodwill, customer relationship	23,590	1,578	2,400	11,563	6,668	310	1,611
Goodwill, brand	3,007	115	451	1,215	0	214	309
Goodwill, order backlog	0	0	0	0	0	0	998
Goodwill, Building	0	0	0	0	0	0	0
Prepayment on purchase price (previous year)	0	0		-15,000	0	0	0
Gain from fair value adjustment	0	0	-1,506	0	0	0	0
Purchase price liabilities	-5,949	-1,440	-100	-1,100	0	0	0
Deferred tax assets for loss carried forward	3,263	0	0	0	0	0	0
Deferred tax liabilities on goodwill	-5,015	-647	-884	-3,646	-1,512	-235	-67
Offset against equity holdings (At Equity)	0	0	-994	0	0	0	0
Purchase price paid	**34,901**	**2,392**	**2,500**	**0**	**13,386**	**4,483**	**4,900**
According to allocation	34,901	2,392	2,500	0	13,386	4,483	4,900
4) percentage of voting rights acquired (%)	100.0	100.0	100.0	100.0	100.0	100.0	100.0
5) Purchase price liabilities (earn-out or outstanding shares)	5,949	1,440	100	1,100	0	0	0
6) Total purchase cost	40,850	3,832	2,600	1,100	13,386	4,483	4,900
7) Acquired funds	232	244	616	1,078	254	1,454	0
8) Result following initial consolidation	n/a	n/a	n/a	1,551	1,842	1,200	-356
9) Result under the premise that no takeover had taken place under the period 1 January – 31 December 2011	n/a	n/a	n/a	1,551	1,842	1,200	-356
10) Step-up-depreciation	n/a	n/a	n/a	989	1,281	84	653
11) Sales revenue since initial consolidation	n/a	n/a	n/a	12,575	14,835	3,571	5,346
12) Sales under the premise that no takeover had taken place under the period 1 January – 31 December 2011	n/a	n/a	n/a	12,575	14,835	3,571	5,346
13) Costs associated with the acquisition (incl. in other expenses in the comprehensive income statement)	426	110	24	494	287	17	214

All purchase price allocations (except Lauer-Fischer) for the period 2010 and 2011 are final.

Lauer-Fischer 30.06.2011	Total 31.12.2011	Microbais 2012	Effepieeffe 2012	Total 2012
3,320	6,596	1,646	407	2,053
813	3,600	4,667	427	5,094
20,501	28,529	2,125	147	2,272
4,522	6,906	11	106	117
5,805	14,508	1,681	537	2,218
14,308	**17,312**	**6,746**	**338**	**7,084**
10,153	18,537	2,140	217	2,357
31,255	41,306	1,344	2,525	4,408
15,883	36,035	6,090	1,910	7,319
3,555	5,294	983	114	1,059
6,763	7,761	0	0	0
1,000	1,000	0	0	0
	-15,000	0	0	0
	0	0	0	0
-19,342	-20,442	0	0	0
	0	0	0	0
-11,075	-16,535	-2,124	-704	-2,828
0	0	0		0
52,500	**75,269**	**15,000**	**4,400**	**19,400**
52,500	75,270	15,000	4,400	19,400
75	–	100.0	100.0	–
19,342	20,442	0	0	0
71,842	95,711	15,000	4,400	19,400
813	3,600	4,667	407	5,094
267	4,504	0	0	0
1,465	5,702	1,802	303	2,105
1,758	4,765	0	0	0
25,813	62,140	0	0	0
50,021	86,348	11,190	1,171	12,361
5,073	6,085	660	58	718

Changes to Company Acquisitions (IFRS 3.49)

	Visionary as at 31.12.2010	Visionary final	Change	HCS as at 31.12.2010	HCS final	Change	Belgiedata as at 31.12.2010	Belgiedata final	Change
Purchase date	01.09.2010	01.09.2010		01.12.2010	01.12.2010		31.12.2010	31.12.2010	
1) Assets									
I. Non-current assets	4,089	507	-3,582	95	95	0	54	54	0
II. Current assets – cash	232	232	0	616	616	0	244	244	0
III. Current assets, without cash	2,228	2,228	0	767	767	0	124	124	0
2) Liabilities and equity									
I. Non-current liabilities	196	196	0	0	0	0	0	0	0
II. Current liabilities	4,607	4,607	0	1,289	1,289	0	189	189	0
3) Acquisition of shareholder´s equity	**1,746**	**-1,836**	**-3,582**	**189**	**189**	**0**	**233**	**233**	**0**
Minorities									
Purchase price allocation									
Goodwill, Software	11,234	6,388	-4,846	763	686	-77	1,281	212	-1,069
Goodwill, business value	20,109	11,453	-8,656	3,299	2,258	-1,041	1,305	2,342	1,037
Goodwill, customer relationship	12,255	23,590	11,335	1,040	2,400	1,360	1,646	1,578	-68
Goodwill, brand	8,170	3,007	-5,163	347	451	104	549	115	-434
Deferred tax assets on loss carry forwards	0	3,263	3,263	0			0		
Reallocation of financial assets	0			-994	-994	0	0		0
Gain resulting of fair value evaluation of minorities	0			-1,506	-1,506	0	0		0
Purchase price liabilities	-5,949	-5,949	0	-100	-100	0	-1,440	-1,440	0
Deferred tax liabilities on goodwill	-12,664	-5,015	7,649	-537	-884	-347	-1,181	-647	534
Paid purchase price	**34,901**	**34,901**	**0**	**2,500**	**2,500**	**0**	**2,392**	**2,392**	**0**
According to allocation	34,901	34,901		2,500	2,500		2,392	2,392	
4) percentage of voting rights acquired (%)	100	100		100	100		100	100	
5) Purchase price liabilities (earn-out or remaining shares)	5,949	5,949	0	100	100	0	1,440	1,440	0
6) Total purchase cost	40,850	40,850	0	2,600	2,600	0	3,832	3,832	0
7) Acquired funds	232	232	0	616	616	0	244	244	0

Segment Report by Business Areas

EUR ´000	Segment I: Integrated Health Provider Services (HPS) 2011 Jan-Dec	Segment I: Integrated Health Provider Services (HPS) 2010 Jan-Dec	Segment II: Health Connectivity Services (CHS) 2011 Jan-Dec	Segment II: Health Connectivity Services (CHS) 2010 Jan-Dec	Segment III: Consumer Health Services (HCS) 2011 Jan-Dec	Segment III: Consumer Health Services (HCS) 2010 Jan-Dec	All other Segments 2011 Jan-Dec	All other Segments 2010 Jan-Dec	Consolidation adjustments 2011 Jan-Dec	Consolidation adjustments 2010 Jan-Dec	CompuGroup Group 2011 Jan-Dec	CompuGroup Group 2010 Jan-Dec
Sales to third parties	330,242	248,152	65,628	63,888	0	0	694	334	0	0	396,564	312,374
Sales between segments	2,464	2,871	2,009	658	0	4,006	11,048	5,384	-15,521	-12,919	0	0
SEGMENT SALES	332,706	251,023	67,637	64,546	0	4,006	11,742	5,718	-15,521	-12,919	396,564	312,374
EBITDA	66,548	58,106	22,600	21,144	-457	2,696	-15,626	-14,911	0	0	73,065	67,035
in percent of sales	20.0	23.1	33.4	32.8	–	–	–	–	0.0	0.0	18.4	21.5
Depreciation on tangibles assets	-4,690	-4,065	-259	-302	0	-17	-1,368	-730	0	0	-6,317	-5,114
Amortization on intangibles assets	-27,745	-25,139	-1,469	-2,867	-639	-574	-240	-139	0	0	-30,093	-28,719
Impairment of financial assets	0	0	0	0	0	0	0	0	0	0	0	0
EBIT	34,113	28,763	20,872	17,975	-1,096	2,105	-17,234	-15,780	0	0	36,655	33,202
Earnings from associated companies	22	213	0	0	0	0	0	0	0	0	22	213
Financial income											4,826	3,271
Financial expenses											-16,305	-10,156
EBT											25,198	26,530
Income tax											-15,927	-9,742
GROUP NET INCOME											9,271	16,788
in percent of sales											2.3	5.4
GROUP NET INCOME before amortization on intangible assets											39,364	45,507

Segment Report by Regions

	CE		CEE		NE		SE	
EUR ´000	2011	2010	2011	2010	2011	2010	2011	2010
Sales revenue	195,127	161,124	72,547	67,750	64,328	46,528	24,377	21,214
Non-current assets	162,224	92,907	73,003	70,642	139,690	120,521	33,651	36,301

	ALM		NA		All other segments		Consolidation		Group	
EUR ´000	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Sales revenue	6,728	6,435	41,034	16,506	10,136	6,447	-17,713	-13,630	396,564	312,374
Non-current assets	7,419	9,610	70,212	71,565	22,777	18,264	0	0	508,977	419,811

Equity Investments

as of 31 December 2011

Company name	Registered office	Equity voting rights in %	Equity EUR ´000	Earnings EUR ´000
Subsidiaries in the region Central Europe (CE)				
1 AESCU DATA Gesellschaft für Datenverarbeitung mbH*[1]	Winsen	100.0	1,770	0
2 All for One Enterprise Solutions GmbH[2]	Eberhardszell-Oberessendorf	100.0	217	-75
3 CompuGroup Medical Deutschland AG*	Koblenz	100.0	68,159	0
4 CompuGroup Medical Dentalsysteme GmbH*	Koblenz	100.0	5,595	0
5 CompuGroup Medical Services Deutschland GmbH [2]	Augsburg	100.0	-371	-35
6 DEGAMA GmbH Apotheken- und Marketing-Beratung[6]	Fürth	100.0	450	206
7 Fischer – Software GmbH[6]	Stuttgart	100.0	1,401	38
8 GIV Gesellschaft für angewandte integrierte Versorgungsformen mbH	Koblenz	100.0	-1,923	128
9 IfAp Institut für Unternehmensberatung und Wirtschaftsdienste im Gesundheitswesen GmbH[4]	Neu-Golm	93.0	-315	90
10 IfAp Service Institut für Ärzte und Apotheker GmbH*	Martinsried	100.0	7,930	0
11 Intermedix Deutschland GmbH*[5]	Koblenz	100.0	2,720	0
12 IS Informatik Systeme Gesellschaft für Informationstechnik mbH[6]	Kaiserslautern	60.0	502	40
13 LAUER-FISCHER GmbH	Fürth	75.5	13,591	267
14 MEDISTAR Praxiscomputer GmbH*	Hannover	100.0	5,244	0
15 Systema Deutschland GmbH*	Koblenz	100.0	191	0
16 Systema Kliniksoftware GmbH*[2]	Höxter	100.0	-715	-402
17 TurboMed EDV GmbH*[3]	Molfsee	99.0	7,167	0
18 AESCU DATA Gesellschaft für Datenverarbeitung mbH[9]	Steyr/Austria	100.0	211	22
Subsidiaries in the region Central Eastern Europe (CEE)				
19 CompuGroup Medical CEE GmbH	Vienna/Austria	100.0	36,515	4,381
20 CompuGroup Österreich GmbH[10]	Enns/Austria	100.0	1,630	1,452
21 HCS Health Communication Service Gesellschaft m.b.H.[27]	Altlengbach/Austria	100.0	446	661
22 INNOMED Gesellschaft für medizinische Softwareanwendungen mbH [10]	Wiener Neudorf/Austria	70.3	2,915	2,095
23 Intermedix Österreich GmbH[10]	Vienna/Austria	100.0	74	-1
24 Systema HIS Human Information Systems Gesellschaft mbH[10]	Steyr/Austria	100.0	11,342	4,039
25 CompuGroup Medical Schweiz AG [10]	Cham/Switzerland	100.0	1,538	-1,009
26 CompuGroup Medical Polska z o.o. (former: UHC Sp.z.o.o.)	Lublin/Poland	100.0	3,004	1,058
27 CompuGroup Medical Ceska republika s.r.o.[11]	Prague/Czech Republic	100.0	3,379	1,755
28 Intermedix Ceska Republika s.r.o.[12]	Prague/Czech Republic	100.0	399	111
29 CompuGroup Medical Slovenska spol s.r.o. (former: Erudis CGM s.r.o.)[12]	Bratislava/Slovakia	100.0	67	-332
Subsidiaries in the region North Europe (NE)				
30 CompuGroup Medical Norway AS [7]	Lysaker/Norway	100.0	4,163	2,566
31 Intermedix AS[7]	Lysaker/Norway	100.0	13	0
32 Profdoc AS	Lysaker/Norway	100.0	8,280	3,097
33 CompuGroup Medical LAB AB (former: Profdoc Lab AB)[8]	Borlänge/Sweden	76.0	1,604	563
34 CompuGroup Medical Link AB (former: Profdoc Link AB)[7]	Uppsala/Sweden	100.0	2,976	1,290
35 CompuGroup Medical Stockholm AB (former: Profdoc Care AB)[8]	Stockholm/Sweden	100.0	3,291	1,766
36 CompuGroup Medical Sweden AB [7]	Uppsala/Sweden	100.0	6,189	3,476
37 Lorensbergs Communication AB[31]	Göteborg/Sweden	100.0	1,004	501
38 Lorensbergs Holding AB	Göteborg/Sweden	100.0	1,435	544
39 CompuGroup Medical Denmark A/S[7]	Randers/Dänemark	100.0	3,431	1,168
40 CompuGroup Medical Malaysia Sdn Bhd (former: Profdoc Sdn Bhd)[7]	Kuala Lumpur/Malaysia	100.0	-1,973	-424
41 CompuGroup Medical Nederland B.V.[29]	Echt/Netherlands	100.0	2,319	1,299
42 CompuGroup Medical Holding Coöperatief U.A.[28]	Echt/Netherlands	100.0	5,170	-868
43 CompuGroup Medical Nederland Technical Services B.V.[30]	Echt/Netherlands	100.0	311	252

Company name	Registered office	Equity voting rights in %	Equity EUR ´000	Earnings EUR ´000
Subsidiaries in the region South Europe (SE)				
44 CompuGroup France S.A.S.[19]	Rueil-Malmaison/France	100.0	46	22
45 COMPUGROUP MEDICAL SOLUTIONS S.A.S. (former:AXILOG S.A.)[18]	Montpellier/France	100.0	3,283	1,508
46 Intermedix France SAS[18]	Rueil-Malmaison/France	100.0	260	24
47 Le Reseau Sante Sociale SAS	Rueil-Malmaison/France	100.0	466	161
48 CompuGroup Medical Italia S.P.A. (former: Fimesan S.p.A.)	Molfetta/Italy	100.0	16,660	1,153
49 Intermedix Italia S.r.l.[20]	Mailand/Italy	100.0	303	235
50 Intermedix ESPANA SL	Madrid/Spain	100.0	-73	-6
51 BelgieData BVBA[17]	Nevele/Belgium	100.0	404	170
Subsidiaries in the region Africa-Latin America-Middle East (ALM)				
52 Profdoc (Pty) Ltd.[13]	Stellenbosch/South Africa	85.0	-350	4
53 CompuGroup Medical Bilgi Sistemleri A.Ş (former: Promed Bilgi Yonetim Sistemlerive Saglik Danismanlik Anonim Sirketi)[14]	Istanbul/Turkey	100.0	766	-77
54 Tepe International Sağlık Bilgi Sistemleri A.Ş. [15]	Ankara/Turkey	100.0	3,537	-2,088
55 Tipdata Bilgi Islem Sistemleri Danismanlik ve Ticaret Limited Sirketi[16]	Istanbul/Turkey	100.0	-205	-46
Subsidiaries in the region North America (NA)				
56 All for One Software, Inc.[2]	Los Angeles/USA	100.0	140	5
57 CompuGROUP Holding USA, Inc.	Delaware/USA	100.0	-6,209	-3,728
58 CompuGroup Medical Inc.[21]	Delaware/USA	100.0	10,077	-7,491
59 All for One Software, Inc.[26])	Vancouver/Canada	100.0	120	3
Subsidiaries in "Other Regions" (Other)				
60 CompuGroup Medical Software GmbH*[3]	Koblenz	100.0	9,097	0
61 UCF Holding S.a.r.l.[3]	Luxemburg	74.9	16,282	1,118
Associated companies (at equity)				
62 Meco Medizinische Computersysteme GmbH[3]	Duisburg	50.0	no information, shareholding of minor importance	
63 Mediaface GmbH	Hamburg	25.0	no information, shareholding of minor importance	
64 AxiService Nice S.a.r.l.[18]	Nice/France	28.0	no information, shareholding of minor importance	
65 Technosante Nord-Picardie SAS[18]	Lille/France	20.0	no information, shareholding of minor importance	
66 Medigest Consultores, S.L.	Madrid/Spain	49.0	no information, shareholding of minor importance	
67 AES Ärzteservice Schwaben GmbH3)	Bad Wimpfen	10.0	no information, shareholding of minor importance	
68 BFL Gesellschaft des Bürofachhandels mbH&Co.KG[3]	Eschborn	<1,0	no information, shareholding of minor importance	
69 CD Software GmbH[2]	Lampertheim	9.1	no information, shareholding of minor importance	
70 ic med EDV-Systemlösungen für die Medizin GmbH[3]	Halle	10.0	no information, shareholding of minor importance	
71 Savoie Micro S.a.r.l.[18]	Meythet/France	10.0	no information, shareholding of minor importance	
72 Technosante Toulouse S.A.S.[18]	Toulouse/France	10.0	no information, shareholding of minor importance	
73 Daisy-NET[20]	Bari/Italy	6.0	no information, shareholding of minor importance	

* The companies marked with * have a profit-pooling agreement with CompuGroup Medical AG or another subsidiary.

1) Subsidiary of GIV Gesellschaft für angewandte integrierte Versorgungsformen mbH
2) Subsidiary of 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 (former: Profdoc 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 Ceska republika s.r.o.
13) Subsidiary of CompuGroup Medical AG (55,9%) and Profdoc AS (29,1%)
14) Subsidiary of CompuGroup Medical Deutschland AG and also with one share CompuGroup Medical AG, Intermedix Deutschland GmbH, Systema Deutschland GmbH, CompuGroup Medical Software GmbH
15) Subsidiary of CompuGroup Medical AG (93%) furthermore shares are held by CompuGroup Medical Software GmbH (5%), CompuGroup Medical Deutschland AG (1%), Systema Deutschland GmbH (1%) and Intermedix Deutschland GmbH (0%)
16) Subsidiary of CompuGroup Medical AG (90%) and CompuGroup Deutschland AG (10%)
17) Subsidiary of CompuGroup Medical AG (99%) and CompuGroup Deutschland AG (1%)
18) Subsidiary of UCF Holding S.a.r.l
19) Subsidiary of Le Reseau Sante Sociale SAS
20) Subsidiary of CompuGroup Medical Italia S.p.A.
21) Subsidiary of CompuGROUP Holding USA Inc.
22) Subsidiary of Noteworthy Medical Systems Inc.
23) Subsidiary of American Healthcare Holdings Inc.
24) Subsidiary of Antek Inc.
25) Subsidiary of Visionary Medical Systems Inc.
26) Subsidiary of All for One Software Inc.
27) Subsidiary of Systema HIS Human Information Systems Gesellschaft mbH
28) Subsidiary of CompuGroup Medical AG (99,98%) and CompuGroup Medical Deutschalnd AG (0,02%)
29) Subsidiary of CompuGroup Medical Holding Coöperatief U.A.
30) Subsidiary of CompuGroup Medical Netherlands B.V.
31) Subsidiary of Lorensbergs Holding AB

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 2011, there were 53.2 million shares outstanding, each with a nominal value of EUR 1.00.

Key data per share

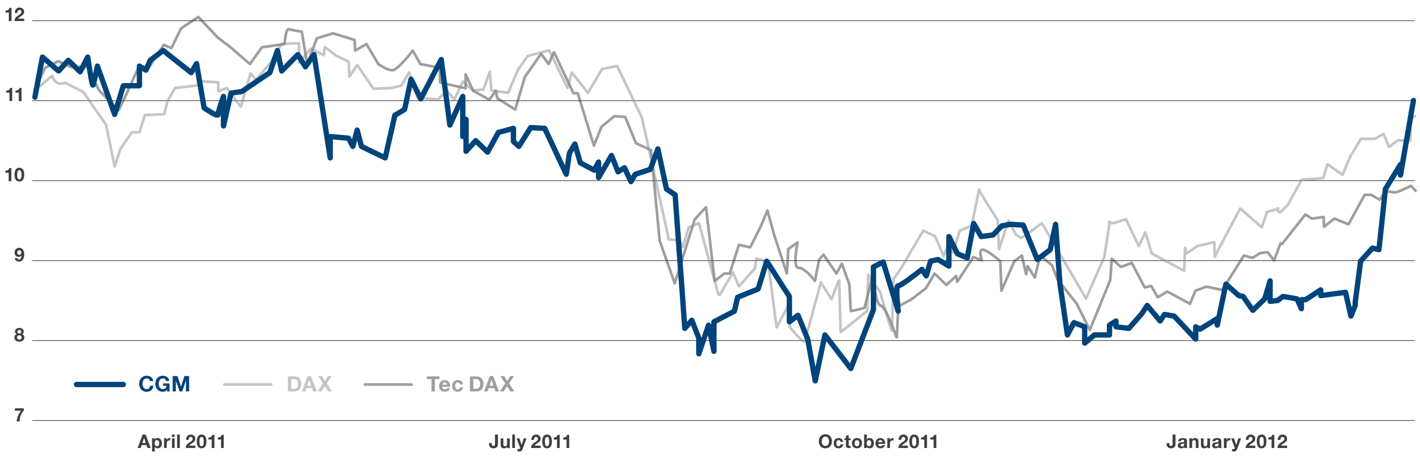
	EUR	2011	2010
Year-end price		8.70	11.07
Year high		12.70	11.63
Year low		7.47	7.51
Year average		10.00	8.77
Yearly trade		49,064,830.56	45,235,744.09
	Shares	5,051,330	5,251,216
Number of shares	Shares	53,219,350	53,219,350
Market capitalization		463,008,345.00	589,138,204.50
Earnings per share		0.18	0.33
Dividend per share		0.25[2]	0.25
Dividend payout		12,475,313.50[4]	12,557,160.50
Dividend payout ratio	%	29.2[2,3]	86.7[3]
Dividend yield	%	2.87[1,2]	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 07.03.2012

Share development

After having reached a year high of EUR 12.70 in February 2011, the share price decreased over the year and ended with EUR 8.70, bringing the total market capitalization from EUR 589.1 million at the beginning of the year, to EUR 463.0 million at the end of the year. The yearly trading volume was 5.1 million and slightly down from the previous year (-3.8 percent). The average daily trading volume in 2011 was 19,732 shares (previous year: 20,513).

The share price development during 2011 can be seen below:



Dividend

In the 2011 financial year EUR 12.6 million were pay out corresponding to a dividend per share of EUR 0.25. Also this year, the Management and Supervisory Board will propose the payment of a dividend of EUR 0.25 per share to the Annual General Meeting held on 9 May 2012. Related to the net income of CompuGroup Medical AG, this corresponds to a payout ratio of 29.2 percent. Based on the 2011 closing share price (EUR 8.70), this would equate to a dividend yield of 2.9 percent. The proposed dividend amount totals EUR 12.5.

Share repurchase

As part of its share repurchase program, which was launched on 17 August 2011, CompuGroup Medical bought back a total of 225,553 shares or approx. 0.42 percent of the share capital at an average price of EUR 8.30 by 31 December 2011. This corresponds to an amount of EUR 1,872,832.67. The total number of treasury shares held by the company as of 31 December 2011 amounted to 3,216,261 shares or 6.04 percent of the share capital. Information on the scope of the share repurchase has regularly been published on the company's website.

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 2010 include: Edinburgh, Frankfurt, Geneva, London, Munich, New York, Paris and Zurich.

At the world's largest medical trade fair MEDICA in Düsseldorf CompuGroup Medical held an investor and analyst conference in November 2011. 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 five, all of them based in Germany. With four buy and one outperform recommendation, the analysts presented a continuous positive view of the CompuGroup Medical share.

Financial Calendar 2012

Date	Event
04 May 2012	Q1 Report
09 May 2012	Annual General Shareholder Meeting, Koblenz
09 August 2012	Q2 Report
14 November 2012	Q3 Report/Analyst Conference

Share data

Listing	Börse Frankfurt, Germany, Prime Standard
ISIN	DE0005437305
WKN	543730
Xetra Trading Parameters Symbol	COP

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