

## **Speech by Frank Gotthardt**

**Chief Executive Officer of CompuGroup Medical AG,  
on the occasion of the Annual General Meeting  
on May 20, 2015 in Coblenz**

**The spoken word applies.**

### **Chart 5: Introductory slide**

Dear Shareholders, Ladies and Gentlemen,

Once again, I would like to warmly welcome you to our corporate headquarters in Coblenz for this year's Annual General Meeting. 2014 was a good year for CompuGroup Medical AG as we achieved all the major aspects of the objectives we had set ourselves.

And it was also a year in which we managed to set a series of significant milestones:

- With a revenue of EUR 515 million, we broke the half a million Euros mark for the first time in our company history – and by quite some margin
- Our market share with doctors, pharmacies and laboratories in Europe has never been as large as it is today
- In our main future project in our home market of Germany – telematics infrastructure – we have more than satisfied not just the trust placed in us, but also the expectations, and we are on track to launch online testing of this infrastructure this year



I would also like to mention one other very important development which has huge significance for our company, particularly in Germany: by submitting a bill for a law on secure digital communications and applications in the healthcare sector, which is due to be passed as law this year, the Federal Minister for Health has placed the subject of eHealth at the core of a separate law for the first time. We see this entirely as one of our successes, too, because in the past we have always used our products and services to demonstrate many times how much potential eHealth offers for an improved healthcare provision, thereby showing the lawmakers what their policy options are. This law will reinforce and further improve our long-term business position in Germany.

**Chart 6: Worldwide Success with nearly 400,000 Customers and Products in more than 40 Countries.**

With revenue standing at EUR 515 million, we were able to deliver an operating result of around EUR 97 million. We made a conscious decision to pursue a sustainable growth curve and made further investments in two very significant areas for the long-term success of CompuGroup Medical. The fact that these endeavours have already started to pay off is reflected in our business figures, and our earnings guidance for the current business year has been set accordingly. I will come to that in a moment. The largest share of our revenue was generated in Europe as this is where most of our 4,200 employees work.

You can see from the map roughly in which countries our 400,000-strong client base is located. Together with the USA, which still offers enormous opportunities due to its Affordable Care Act, we are represented in nearly every country in Europe. In the East, we are active in Turkey, Saudi Arabia and Malaysia and from here we operate in other Asian countries, too. Our African clients are looked after out by our South African office. Overall, we support people in over 40 countries around the globe with our top

products and services for patient healthcare. In some of these markets, we have managed to significantly increase our market share.

### **Chart 7: An overview of the group**

Ladies and Gentlemen,

The international health markets continue to grow. In particular, we can see a growing momentum which – totally true to our declared objective “Synchronizing Healthcare” – is promoting ever-closer networking for all involved in the healthcare sector.

If you want to increase efficiency in health services and at the same time improve patient-centred care, you have to know what the needs of the individual are, whilst at the same time keeping an eye on the big picture. This is exactly why it is such a great advantage that we (as probably the only company) cover the IT needs of almost all service providers in the healthcare system, and can therefore create the optimum conditions for not only bringing different providers together, but also the insured, i.e. the patients.

Among our 400,000 clients are doctors and dentists, pharmacists, hospitals, rehabilitation and social facilities, laboratories, health insurers and industry.

### **Chart 8: Our classic business: HPS – a doctor-centred approach**

In our HPS (Health Provider Service) business, we pursue a doctor-centred (or rather a health service provider-oriented) approach. Regardless of whether we are talking about ambulatory information systems (still our strongest market), dental information systems, or solutions for pharmacies and clinics, we still have good development potential here – and not only in Germany. The law I mentioned earlier will again provide

specific momentum and stimulus to the so-called added value applications which go beyond ambulatory and hospital information systems.

There are further opportunities on offer in the international markets where we operate, too. By making strategic acquisitions in the past year, we have once again greatly strengthened our position and we have significantly increased our market shares, for example in the Netherlands and in Italy.

We view our services, which revolve directly around the patient, as an additional engine for growth.

#### **Chart 9: Our patient-centred business: HCS – a patient-centred approach**

Very early on, we took account of the political changes concerning the trend of the “more mature patient” and anticipated this in a variety of products.

Perhaps we have to concede that a highly-regulated healthcare industry is not always able to immediately absorb highly-innovative products and solutions and integrate these into standard care. What we then need is a solution until the market is ready – and also until such time as these innovations can pay off fully.

We have never strayed from the path, however, and have consistently taken the patient-centred route. In doing so, we have created options for policy and for the stakeholders in the health system, and we have encouraged discussion. We have now determined that an informed and enlightened patient has become a firm link in all those involved in the continued development of the healthcare sector. So, ultimately, our commitment has been worthwhile, and we are in an ideal position to cope with this development.

Our Health Connectivity Services have set standards that can now gradually start to be more widely adopted. We are not just referring here to our very successful pilot projects, such as the patient medication record in North Rhine-Westphalia, but also to our

“CGM LIFE” product, for example, where users can increasingly take preventive health measures into their own hands.

### **Chart 10: gematik: A new infrastructure for eHealth in Germany**

Our telematics infrastructure project has opened up a long-term growth opportunity for CGM, with the pilot project representing just the initial step on the route to a significantly greater share of turnover for our company. When the project is rolled out throughout Germany, CGM will have the opportunity, in both the medium and the long term, to sell new eGK-compliant (eGK = electronic health card) online access products to all existing clients in Germany – in approximate figures: 44,200 doctors’ surgeries (with 69,400 doctors), 15,000 dental surgeries (with 19,800 dentists), 4,000 pharmacies (with 8,000 pharmacists), 100 hospitals, 300 rehabilitation centres and 550 social facilities.

Of equally great importance is the fact that the telematics infrastructure fits perfectly into our CGM strategy of making even more products and services available to own clients, such as eServices, ePrescriptions, electronic laboratory requests, doctors’ networks, online organisation of clinical treatment procedures, and web hosting services.

We reliably reached various milestones along the path to the test launch and, at the end of December 2014, we were able to carry out verifications on the end-to-end solution, including an update of the master data for the insured at the point of care. We were successful in testing the entire infrastructure, from the card terminal at the health service provider through to the central accounts of the health insurance company. We are confident that all tests during this year and at the start of next year will be completed successfully. The subsequent rollout of the entire infrastructure throughout Germany will be assured by the eHealth law which will be passed in the near future – thereby paving the way on the clear-cut path to opportunities.



### **Chart 11: Converting CGM AG to a European Company**

We are an international group of companies with a strong European foundation. In November last year, the Management Board expressed its intention to convert the legal status of CompuGroup Medical AG to a European Company (or *Societas Europaea, SE*) and proposed to submit this at today's Annual General Meeting for approval.

This is a logical step for us, one which also reflects the international nature of CGM in its legal form and enhances its international focus. As a result, the perception of CGM as an international group of companies will be reinforced.

We are convinced that converting to a European Company will bring benefits for our shareholders and our employees in equal measure. If CGM were an SE company it would, for instance, be possible to employ staff beyond national borders. Employees of all future European subsidiary companies of CGM SE would then have the opportunity to participate in the election of employee representatives to the supervisory board of the CGM SE. This would ensure that the supervisory board works efficiently and effectively in terms of its international orientation.

### **Chart 12: Acquisitions in 2014 / Strategic purchases**

Dear Shareholders,

Last year, we continued our acquisition strategy, particularly in Italy where we strengthened our market position for pharmacy software by acquiring the companies farma3tec and Mondofarma, which has increased our market share to over 60 %. During the course of this takeover, we established ourselves as the leading supplier in this key European market, and we are now servicing 13,000 clients there. The technical overlap with our existing portfolio

of products for pharmacies has created the conditions for greater effectiveness in enhancing our solutions.

In line with our concept of strategically investing in companies that complement our existing business perfectly, we have also strengthened our position in the Netherlands by taking over Labelsoft. This has led to an increase in our share of the Dutch market for software for primary care providers to over 25 % for practice-based doctors, and 75 % for outpatient institutions giving medical first aid treatment. Our objective is to concentrate all of our products for this market on one platform, through which healthcare professionals with direct patient contact can work together. We are now in an ideal position to connect health service providers in the primary care market with each other.

### **Chart 13: Outlook for 2015 (on average 2-digit growth for relevant key figures)**

Against the background of the previous developments within CompuGroup Medical over the past years, our medium-term and long-term corporate strategy manifestly gives us and you long-term strong growth potential.

The figures for the first quarter that have already been published show an increase in turnover of 8 % compared to the same quarter in the previous year. We are on the right path and are also confident of improving our profitability.

### **Chart 14: The building blocks for growth**

Alongside the growth in our established customer base in Germany, we will continue to grow in our newly acquired-markets. Add to this the steady expansion of a standardised, international and efficient technology platform and our innovative ranges in the field of patient communications.

At this point, however, I would like to go into more detail about our in-house efforts to achieve greater efficiency. With the rollout of an integrated, company-wide and completely standardised ERP and CRM system, which will replace our existing internal IT systems, we will be following our plan for further improvement in margins and driving towards higher profitability. Based on a centralised IT platform and integrated IT solutions, this is a pivotal means of attaining outstanding operational quality and performance by means of harmonising and optimising roles, structures and processes in all our companies and divisions worldwide.

This considerable investment is a manifestation of our commitment to process and efficiency management and underlines our goal of achieving rapid and sustainable global growth. Because only a well-organised whole is greater than the sum of its parts.

All these projects come as a result of a high level of sustainability, and the first quarter of 2015 has shown the fruits of our actions in terms of an increase in margins and a consistent focus on what is important to us. Alongside our permanent goal of maximum efficiency, we remain insistent in pursuing our substantive goals for growth, in the interests of our customers and healthcare systems worldwide. I would again like to refer to our involvement in establishing a telematics infrastructure in Germany and developing our integrated product platform of the next G3 generation.

Our figures for the first three months of this year have delivered a fitting response to the question “What is our definition of profitable growth?”: In the first quarter of 2015, our turnover rose by 8 % to EUR 132.3 million. Our consolidated earnings before tax, interest, depreciation and amortisation (EBITDA) rose by 30 %, from EUR 22 million to EUR 28.5 million.

We can confirm our company guidance for 2015 and expect to achieve a turnover of around EUR 550 million and an EBITDA of around EUR 120 million.

At the beginning of this week, we received very gratifying news from the USA, where it is well known that we have encountered many challenges in developing our business: two days





ago, our US team won their biggest order to date in the history of CGM in North America. We won through against the competition and became the software supplier for the entire Weston Group, a leading provider of physiotherapy, ergotherapy, speech therapy and outpatient care services in the USA. With this order, CGM has gained 375 new facilities with a total of around 3,200 health service providers across 29 US states. Once our products have been rolled out, we anticipate a turnover for Weston alone in the amount of USD 6 million annually.

We have also established US-wide cooperation with Weston for the joint development and distribution of special software products for the improved and more efficient care of patients in the areas of rehabilitation and nursing.

In the USA we have literally lived out the saying:

“Tough times don’t last but tough people do!”

### **Chart 15: Dividend**

You, our esteemed shareholders, will naturally stand to benefit from our positive development in the form of a dividend, which we propose to this Annual General Meeting in the amount of EUR 0.35.

Achieving our goals always means another step forward towards better healthcare provision. The key to this is intelligent software, to create and assure a better future for health. Patients should benefit from advances in the medical field in the best way possible, with efficient treatments and the chance to play an active part in shaping their own healthcare.

CGM as a company accepts its high level of responsibility for this. As the Chief Executive Officer of CGM, I am grateful and proud to support this task. In doing so, I am



building on the excellent performance and dedication of our 4,200 employees worldwide.

Finally, I would like to sincerely thank the members of our Supervisory Board. We look forward to continuing our valuable cooperation for the benefit of the company.

And I would like to thank you, our shareholders, for entrusting us with a portion of your capital in the shares you hold with CompuGroup Medical AG. We will do everything in our power to continue to justify the confidence you have placed in us.

Many thanks for your kind attention.