CompuGroup Medical AG

Annual Report 2014

Synchronizing Healthcare

CGM CompuGroup Medical

Our vision

CompuGroup Medical stands for the best possible healthcare. We support healthcare through available, structured medical data. We facilitate diagnosis and therapy, simplify workflows and enhance the exchange between all those involved in healthcare. We successfully employ intelligent IT in healthcare – to provide better and ever more financially sustainable healthcare in the best interest of all people.

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Key facts 2014

Group Revenue (EUR million)

515

Cash Net Income (EUR million)

56

EBITDA (EUR million)

97

Earnings Per share (€)

0.53

Employees

4,200

Chairman's Statement

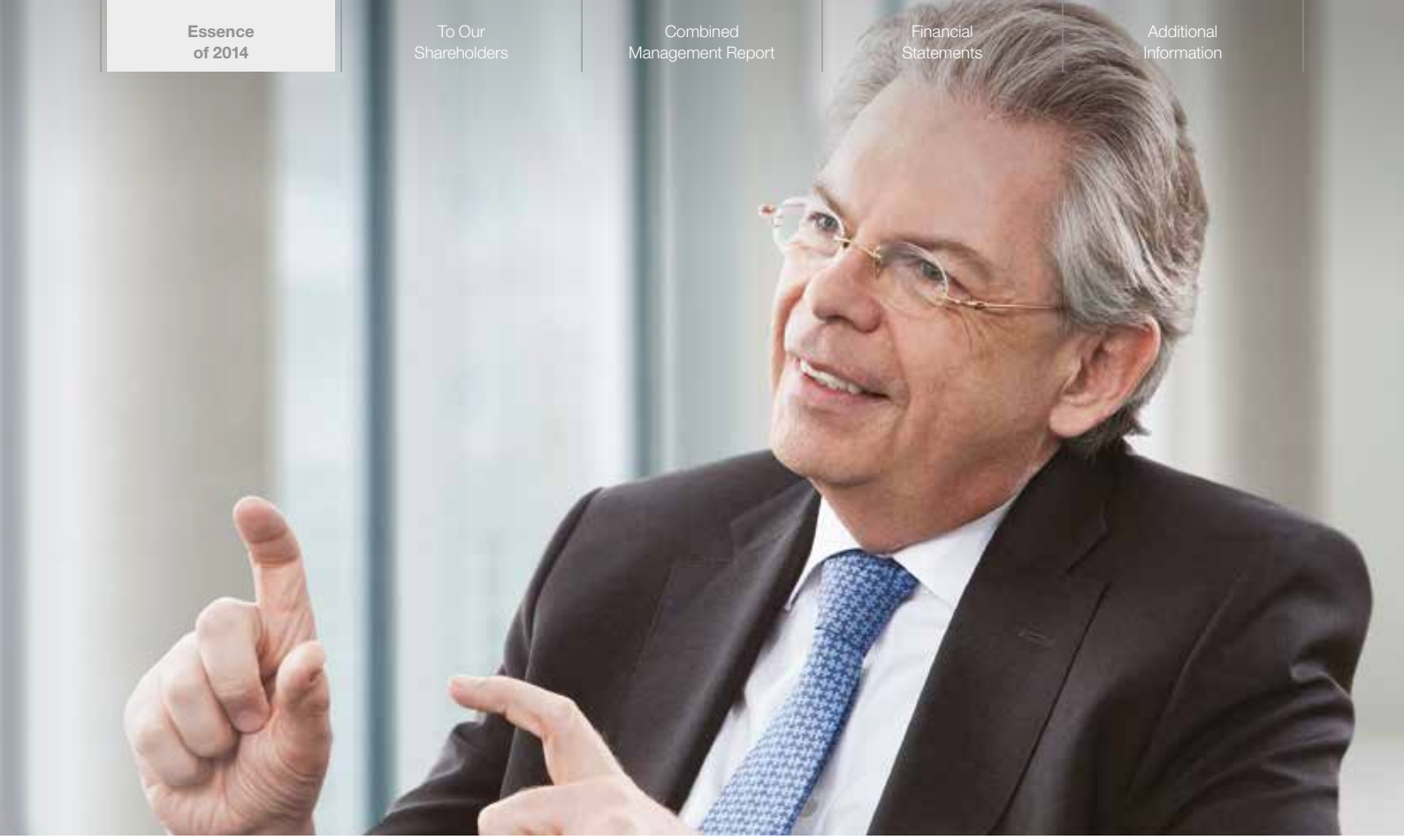
Dear Shareholders,

When we embarked on 2014, we knew it was going to be a vigorous year. The list of initiatives to improve CGM in critical areas was long and challenging, as was the list of growth projects and opportunities of a strategic nature. Looking back, I am happy to conclude that in all material ways, we reached the goals we had set forth and thereby laid the important foundations for a larger, stronger, more profitable and faster growing CGM for the future.

The amount of work we got done during the year is nothing short of impressive. From the integration and restructuring of newly acquired companies, the continued investments in product and service improvements, sales and marketing in the United States, investments in product and service line expansion related to the Telematics Infrastructure project in Germany, continued high R&D investments in G3 technology and the roll-out of a single group-wide fully standardized ERP and CRM system. Collectively, all of these initiatives play a vital role in our overall plan to improve efficiency and embark on a path of improving margins and profitability for the Group. I especially want to highlight the importance of the project to replace all our legacy internal IT systems through a new Group-wide ERP/CRM system. This is a core instrument in achieving operational excellence through standardization and optimization of roles, structures and processes in all our companies and business areas world-wide based on a single centralized IT platform. By doing this substantial investment, we show our commitment to process and efficiency management and we underscore our goal to grow worldwide both at a fast pace and with high efficiency. Only an organized whole is better than the sum of its parts.

2014 has also been the year to show us worthy of the trust placed in us to test the Telematics Infrastructure in one of two pilot regions in Germany. Winning this contract at the end of 2013 was a sign from the National Association of Statutory Health Insurance Physicians, the Statutory Health Insurance Funds and other leading organizations regarding their appreciation of our innovative abilities. I am happy to announce that one year into the project; we are on-track to reach all goals both for our customer and for CGM. At the end of December, we were able to verify the end-to-end-solution including an update of insurance master data at the point-of-care based on CGM engineered components working in perfect harmony with the new German electronic health card. This represents a successful test of the entire infrastructure from the card terminal to the data center of a health insurance company. In many conversations during this intense R&D period we have received the clear impression that the doctors in the future telematics infrastructure have an overall positive perception of the project and our sincerest thanks also go to the German physicians'- and dentists' associations in our test region as they have given valuable advice and active support which contribute to this great success.

Even if 2014 year written in the name of streamlining, integration and operational improvements for CGM, we continued to look for ways to further expand our business also through selected acquisitions. Deploying more capital in markets where we are already present means we can leverage our already existing management capabilities in the local markets in activities that fit closely with our existing businesses. In September, we acquired farma3tec and Mondofarma in Italy. With these transactions, we strengthened our position in the Italian market for pharmacy software to more than 50 percent market



share and, together with our already strong business for pharmacy software in Italy, we are now established as the leading provider in this key European market with more than 13,000 customers. The technical overlap with our already existing products for pharmacies not only results in higher efficiency in the ongoing development of our products, but our customers particularly benefit from our network of distributors and service partners established nationwide.

Founded on the same bolt-on philosophy, we also strengthened our position in the Netherlands through the acquisition of Labelsoft in October. With this transaction, we have grown our position in the Dutch market for primary care software to more than 25 percent of the market share with GPs, and 75 percent of the market share with ambulatory extended care organizations. Our goal is to integrate all our solutions for this market into a platform in which caregivers in the first line can easily work together. In this way, we are now the best positioned player to connect care providers in the primary care market, thus following our motto 'Synchronizing Healthcare'.

On a final note, I want to re-iterate our commitment to organic growth. This goes for all our businesses, including our HCS segment which over the past 6 years has seen declining revenues. Still, the mission of HCS is more important than ever, both for healthcare and for CGM. Time pressure, disconnect in information sources, lack of guidance and workflow support for health care professionals drive medical errors and increase cost for already stretched healthcare budgets. Our HCS services can help to fix these issues and constitute the next revolution of healthcare. And CGM is better positioned than any other eHealth player to deliver such change. Hence, CGM has during 2014 continued to develop a new generation of HCS products and services to embark again on a growth path. I can only remain optimistic and enthusiastic about our future prospects when I see the potential that lies within these innovations.

As always, I want to thank all my colleagues, all our shareholders, our customers and all the members of the CGM family for their dedication to our business, for their loyalty and for their support. 2014 was always going to be a year of hard work. The coming years will show that it was all worth it.

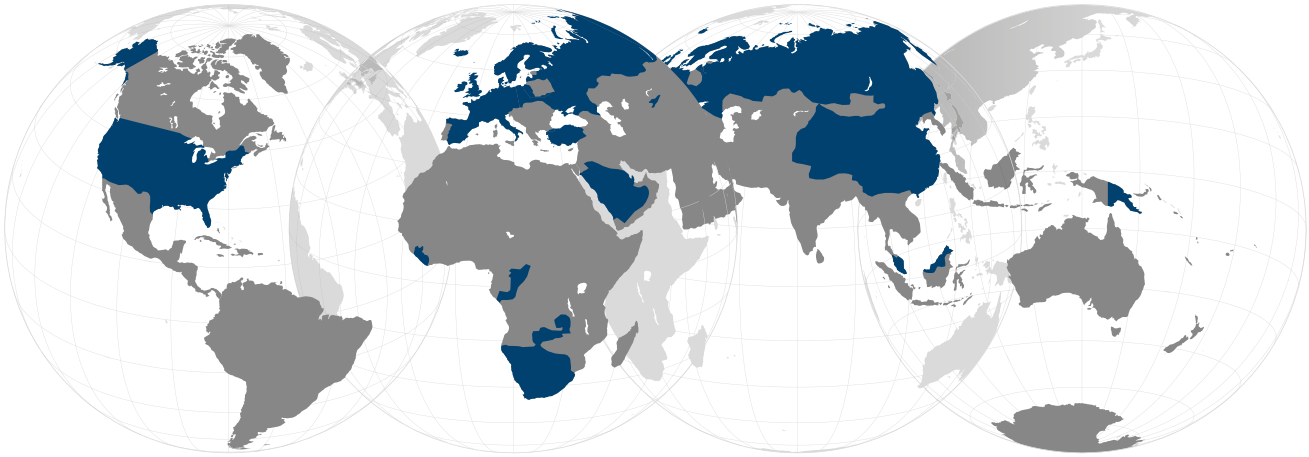
Yours sincerely,

Frank Gotthardt
Chairman, CEO
31 March 2015

CompuGroup Medical at a glance

Synchronizing healthcare

Unique global position

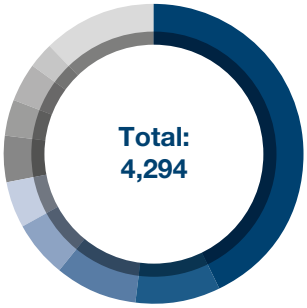


CompuGroup Medical is a leading global eHealth provider with locations in 19 countries. Today we have the trust of customers from Koblenz to Kuala Lumpur, from Kiruna to Cape Town and Lublin to Los Angeles – in 43 countries worldwide. Our products assist doctors and dentists, hospitals, laboratories,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

Koblenz: the heart and soul of CGM

The heart of CGM beats in the Rhineland-Palatinate city of Koblenz. CGM's success story started here around 30 years ago. Today, around 750 employees – 18 percent of our global workforce – work in the company headquarter on the grounds of the historical Maria Trost site.

Regional employee deployment



- Germany (43%)
- Austria (9%)
- Italy (9%)
- USA (6%)
- Sweden (5%)
- France (5%)
- Poland (4%)
- Netherlands (4%)
- Czech Republic (3%)
- Others (12%)

Software for doctors

Modern information systems for the outpatient sector

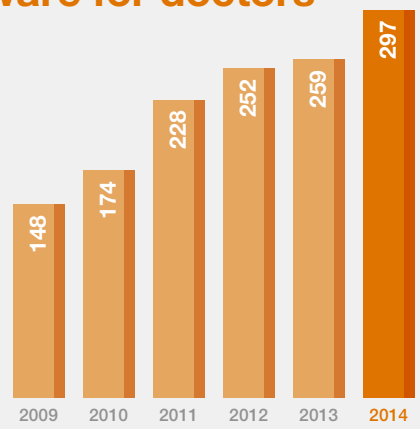
Our medical and pharmaceutical information systems enable more time for the essentials. They manage medical records as well as help with the organization of operational procedures and in the creation of patient invoices.

Our integrated software and workflow solutions create efficient structures for general practitioners, office-based specialists, dentists, medical care centers, physician networks and school healthcare.

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

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

Revenue (EUR million) Software for doctors



80% Recurring revenue

58% of total Group revenue: software for doctors

Software for pharmacies

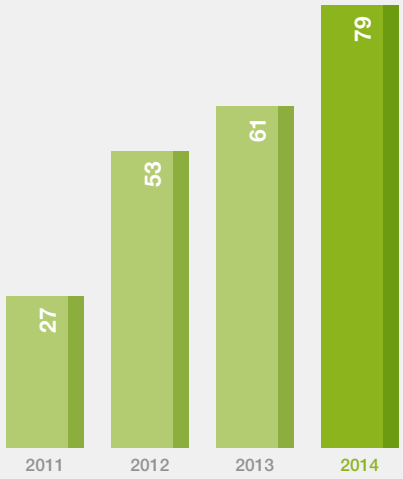
Modern information systems for retail pharmacies

Software for pharmacies is focused on integrated clinical, administrative and financial software applications for pharmacies.

The software and related services provide accurate information and decision support to manage the complete drug supply chain from procurement and shipping of drugs through efficient management and control of inventory all the way to planning, execution and controlling of the retailing function.

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

Revenue (EUR million) Software for pharmacies



80% Recurring revenue

15% of total Group revenue: software for pharmacies

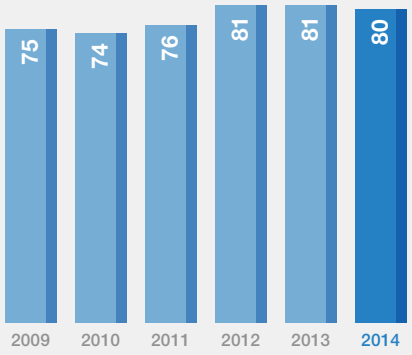
Software for hospitals

Modern information systems for the inpatient sector

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

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

Revenue (EUR million) Software for hospitals



15% of Group revenue: software for hospitals

45% Recurring revenue

Networking Solutions

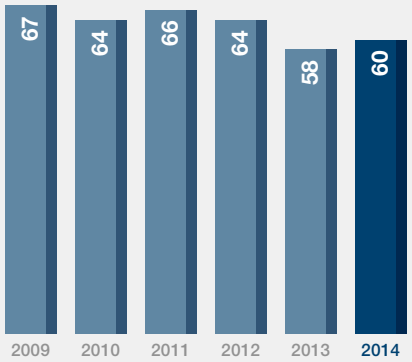
Networking solutions for the healthcare sector

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

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

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

Revenue (EUR million) Networking



12% of Group revenue: Networking

Synchronizing Healthcare

Frank Gotthardt

Chairman of the Management Board, CEO

Frank Gotthardt became a pioneer of IT in the healthcare sector in his days as a computer scientist. He is Chairman of the Management Board of CompuGroup Medical AG. He built the leading global eHealth company, domiciled in Koblenz, up from nothing and has continued to lead and shape it since its founding. Today, 400,000 customers and 4,200 employees worldwide have put their trust in CompuGroup Medical AG. Mr. Gotthardt is also the Regional Chairman of the Economic Council of Rhineland-Palatinate, a member of the Federal Executive Board and Deputy Chairman of the Federal Commission for Health.

Christian B. Teig

Chief Financial Officer, CFO

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

Uwe Eibich

Executive Vice President, Central Europe

Uwe Eibich has been a member of the Executive Board of CompuGroup Medical AG since 2007 and today he leads the largest CGM business segment, D-A-CH. In the D-A-CH segment, Uwe Eibich is responsible for all areas offering products and solutions for our physicians in medical practices, dentists, pharmacies as well as rehab-, social- and health care facilities in Germany, Austria and Switzerland. Before his start at CGM, the computer scientist was initially self-employed and then later worked for a dental software manufacturer before beginning his career path at CompuGroup Medical in 1998. In his former positions at CGM, he headed the CGM business operations in Germany and supervised the international expansion. In addition, Uwe Eibich is the Deputy Chairman of the Federal Association for Healthcare IT (bvitg).

Supervisory Board Report

The Supervisory Board of CGM AG has performed the duties required by law and the Articles of Association during the 2014 financial year. The Supervisory Board regularly advised the Management Board in its management of the company and supervised the company's management board. The Supervisory Board was directly involved in all decisions of major significance to the company.

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

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

The Supervisory Board formed an Audit Committee whose Chairman is at the same time the Chairman of the Supervisory board. The Audit Committee held five meetings in total for the year under review and discussed the interim financial reports of the Management Board as well as prepared the resolutions of the Supervisory Board. The committee submitted its recommendation for the appointment of an auditor for the fiscal year 2014 to the Supervisory Board. The Supervisory Board was regularly informed of the Audit Committee's work.

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

March 22, 2014:
In the March 2014 session where the financial position was determined, the annual financial statements of CGM AG 2013, the 2013 consolidated financial statements and the respective management reports were explained in detail to the Supervisory Board by the Management Board in the presence of the auditors. The Management Board and the employees of the auditing firm PricewaterhouseCoopers AG in Frankfurt (PwC) personally answered all questions in detail, which were posed by the Supervisory Board in the subsequent discussion. The annual financial statement was determined and group accounts were approved. The proposal presented by the Management Board for the appropriation of earnings was approved and the agenda for the 2014 Annual General Meeting was set. In addition, other activities, plans and funding for fiscal year 2014 the Supervisory Board were presented to the Supervisory Board.

May 14, 2014:
At the meeting, the Management Board reported on the current situation in all business areas. Here, the annual general meeting was also prepared. The Supervisory Board approved the acquisition of land from Supervisory Board member Prof. Dr. Daniel Gotthardt to build additional parking for employees of Group companies.

In a second session, which took place immediately after the Annual General Meeting, the newly formed Supervisory Board was constituted. The supervisory Board selected Dr. Klaus Esser as Chairman of the Supervisory Board and Prof. Dr. Daniel Gotthardt as Deputy Chairman. Furthermore, Dr. Flach, Dr. Esser and Dr. Gotthardt were appointed to the Audit Committee.

May 27, 2014:
The supervisory Board appointed Mr. Wild as an additional member to the Audit Committee in a conference call.

June 03, 2014:
The Supervisory Board discussed and approved the Management Board's proposal to restructure the sales partner model in the area of Ambulatory Information Systems.

June 03/04, 2014:
In its annual strategy meeting with the Management Board and second level management, the Supervisory Board discussed initiatives to promote growth and opportunities to improve profitability. Here, new product ideas and opportunities for growth in the area of increased networking in the healthcare sector were in the foreground.

July 11, 2014:
In a circulation procedure, the Supervisory Board approved the acquisition of a sales partner in the pharmacy software segment in Italy.

August 05, 2014:
In a conference call, the Supervisory Board discussed the Management Board's proposal to acquire an additional pharmacy software provider in Italy. The Supervisory Board approved this transaction.

September 16, 2014:
In this Supervisory Board meeting, the Supervisory Board discussed acquisitions in South Africa and the Netherlands. Both transactions were approved by the Supervisory Board.

Additional meeting topics were resolutions to restructure the business segments of the company and an editorial revision of the Declaration of Compliance with the German Corporate Governance Code.

The Management Board informed the Supervisory Board of its deliberations on transforming the company to a European Company (SE).

November 07, 2014:
The draft of the 2015 budget was presented by the Management Board and discussed by the Management and Supervisory Boards. The Management Board presented the draft of the interim financial report from 09.30.2014 to the Supervisory Board for review. The Management Board explained its deliberations on the sale of a CGM Systema Deutschland GmbH business area not belonging to the company's core business.

The Supervisory Board discussed the Management Board's proposal to transform the company into a European Company (SE) and gave its approval.

December 05, 2014:
The Supervisory Board was informed about the current situation of all business areas in this session. The budget submitted by the Board in 2015 for the CGM Group was explained in detail to the Supervisory Board and then subsequently approved. The Supervisory Board received the Management Board's report on: the accounting process, the effectiveness of the internal control system, risk management and the internal audit system. The results therefrom were subsequently discussed with the Management Board. The sale of the business area 'ReWe' of CGM Systema Deutschland GmbH to a company controlled by CEO Mr. Frank Gotthardt was approved. Here, the Management Board presented a fairness opinion from a financial auditing firm.

There were no conflicts in interest from the Supervisory Board during the reporting time period. Prof. Dr. Gotthardt did not participate in the decision on the acquisition of land, which took place on May 14, 2014.

In a session taking place on March 19, 2015 the Supervisory Board discussed based on the following: annual statement for the 2014 financial year as provided by the Management Board; consolidated financial statements and the management report of the Company and the Group; the Management Board's proposal for the appropriation of accumulated earnings; and the respective audit reports issued by the financial auditor. The documents submitted were reviewed by the Supervisory Board. In this session, where the financial position was determined, the employees from the financial auditing firm, PricewaterhouseCoopers AG (PwC) in Frankfurt personally answered all questions posed by the Supervisory Board in detail.

The auditors (PwC) elected by the Annual General Meeting and appointed by the Supervisory Board, audited the annual financial statements for CompuGroup Medical AG, the consolidated financial statements and the respective annual reports of the AG and of the group for the year ending on December 31, 2014, including accounting records, in accordance with statutory provisions and issued an unrestricted audit certificate.

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

In accordance with Section 171 of the Stock Corporation Act (AktG), the Supervisory Board has reviewed and adopted the following: annual financial statements of the parent company and the group; the annual reports of CompuGroup Medical AG and the group; the Management Board's recommended appropriation of net earnings for the year; the risk management report. The financial statements of CompuGroup Medical AG have thus been approved. The consolidated financial statements have also been adopted. The Management Board has submitted the report stipulated by Section 312 of the Stock Corporation Act (AktG) concerning relationships with related companies (dependency report) to the Supervisory Board together with the declaration required by Section 312 (3) of the Stock Corporation Act (AktG). The aforementioned auditor has checked the dependency report and issued the following certificate confirming the results of the audit:

"Based on our obligatory audit and assessment, we confirm that
1. the actual details in the report are correct,
2. the payments rendered by the company were not unreasonably high for the legal transactions listed in the report."

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

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

Koblenz, March 19, 2015

The Supervisory Board

Dr. Klaus Esser
Chairman

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 German Corporate Governance Codex (GCGC) in accordance with section 161 of the Aktiengesetz (German Stock Corporation Act).

Since the last declaration of conformity dated September 2014, CompuGroup Medical AG has conformed to the recommendations of the GCGC as amended on 24 June 2014, subject to the deviations mentioned in the aforesaid declaration.

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

Section 3.8 of the GCGC
A deductible within a D&O insurance for the Supervisory Board which suits all Management Board members should be determined. The current D&O insurance does not follow this recommendation as a deductible is not considered commensurate due to the amount of remuneration of the Supervisory Board.

Section 4.1.5 of the GCGC
The Management Board shall take diversity into consideration when filling managerial positions and, in particular, aim for an appropriate consideration of women. Regarding the occupation of leadership positions in the company, the Management Board considers an appropriate diversity with regards to the company's international scope and evaluates male and female candidates based on the same criteria.

Section 4.2.2 of the GCGC
The Supervisory Board should take the ratio of Senior Management to the overall workforce and its development over time into consideration when determining the compensation of the Management Board members. The Supervisory Board will not follow this recommendation because it does not consider this approach appropriate when determining the compensation of the Management Board members.

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

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

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

Section 5.1.2 of the GCGC
An age limit for members of the Management Board shall be specified. CompuGroup Medical does not comply with this recommendation and has not fixed an age limit for its Management Board members. The company believes that a rigid age limit does not represent an appropriate selection criterion for its corporate officers and will consider this aspect on a case by case basis when evaluating potential candidates. The Supervisory Board considers an appropriate diversity with regards to the company's international scope and evaluates male and female candidates based on the same criteria.

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

Section 5.3.3 of the GCGC
The Supervisory Board shall form a nomination committee composed exclusively of shareholder representatives which proposes suitable candidates to the Supervisory Board for recommendation to the General Meeting. CompuGroup Medical does not comply with this recommendation as has no nomination committee. It is not considered necessary to constitute a separate nomination committee as a working procedure has been established for the Supervisory Board to carry out the duties of a nomination committee in close cooperation with the largest shareholders of CompuGroup Medical.

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

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

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

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

Koblenz, March 2015

Dr. Klaus Esser
Chairman Supervisory Board

Frank Gotthardt
Chief Executive Officer

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

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

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

CompuGroup Medical supports the concept of an effective Supervisory Board in line with the company's needs for expertise, capacity, balanced decision-making and ability to independently evaluate the company's activities and the conduct of its management. The Supervisory Board appoints, supervises and advises the members of the Management Board and is directly involved in decisions of fundamental importance to the enterprise. The chairman of the Supervisory Board coordinates the work of the Supervisory Board. The duties of the Supervisory Board and its Committees are regulated in the Articles of Association. In addition, the Supervisory Board has adopted terms of reference governing its work. The Supervisory Board does not comprise any former Management Board members. It comprises a sufficient number of independent members not maintaining any personal or business relationship with the Company or its Management Board. Supervisory Board meetings are generally held six to eight times per year, and during at least one of these meetings

the corporate strategy is up for review. Every month, the Supervisory Board receives a financial review, management reports and forward-looking analysis. The Supervisory Board regularly reviews the efficiency of its work. The last efficiency review took place in 2013. The next efficiency review is scheduled for 2015. The efficiency of the Supervisory Board's work, including its cooperation with the Management Board, was determined on the basis of a list of questions and a subsequent discussion at a Supervisory Board meeting. The Supervisory Board has established one Committee from among its members: The Audit Committee consists of the Chairman of the Supervisory Board, two shareholder representatives, and one employee representative. The Supervisory Board has appointed its Chairman, Prof. Dr. Klaus Steffens, as the independent Audit Committee financial expert. The Audit Committee monitors the Company's financial reporting process, discusses and examines annual consolidated financial statements and management reports prepared by the Management Board, as well as the quarterly financial reports. Based on the independent auditors' report, the Audit Committee gives recommendations with respect to the approval of the annual financial statements and the consolidated financial statements by the Supervisory Board. Furthermore, the Audit Committee recommends to the Supervisory Board the independent auditors elected at the General Shareholders' Meeting to audit the annual financial statements.

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

Compensation of the Management Board and Supervisory Board

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

Risk management

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

Accounting and auditing

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

Shareholders and Annual General Meeting

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

Transparency

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

Combined Management Report
Financial year 2014

The CGM Group
CompuGroup Medical AG Group (CGM) develops and sells efficiency and quality-enhancing software as well as information technology services exclusively for the healthcare sector. The company plays a leading role in the development of global e-health solutions and enjoys market leadership in Germany as well as in other key European countries. CGM's software products and related services are designed to support all medical and organizational activities in doctors' offices, medical laboratories, pharmacies, hospitals and other provider organizations. Its information services for health insurance companies and pharmaceutical producers contribute towards safer and more efficient healthcare. The company's services are based on a unique customer base of doctors, dentists, hospitals and pharmacies, as well as other service providers in healthcare. With headquarters in Germany (Koblenz), the company has a wide and global reach with offices in 19 countries and installations in 46 countries worldwide. Approximately 4,200 highly qualified employees support customers with innovative solutions for the steady growing demands of the healthcare system.

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

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

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

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

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

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

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

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

Reporting segments
The business segments described above form the basis of our IFRS reporting segments (IFRS: International Financial Reporting Standards). The IFRS reporting segments are described in Section F of the notes to the Consolidated Financial Statements.

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

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

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

The business model in Communication & Data is based on co-operation agreements (typically with 6-12 months duration), ad-hoc advertising (on-going) and project revenue for collection and mediation of clinical data.

Revenue in Workflow & Decision Support is based on project sales (license and professional services), software maintenance and support, and performance-based revenue (cost and quality of care based).

The Internet Service Provider business model is based on subscriptions which make up virtually all revenue in this segment.

External factors influencing the business
The healthcare market is in general a large and growing market, with a resilient profile relative to business cycles. In terms of size, the world spends about USD 8 trillion on healthcare every year. The Economist Intelligence Unit (EIU) estimates that global health care spending as a percentage of Gross Domestic Product (GDP) averages 10.5 percent in 2014 (unchanged from 2013), with regional percentages of 17.4 percent in North America, 10.7 percent in Western Europe, 8 percent in Latin America, 6.6 percent in Asia/Australasia, and 6.4 percent in the Middle East/Africa. Furthermore, healthcare providers are being asked to offer ever-more sophisticated and expensive treatments for an aging population. Over the four years (2014 – 2017), also according to EIU, a 5.3 percent annual spending increase on health is expected globally. In many parts of the world, costs related to healthcare are currently rising at four to five times the rate of growth in wages and inflation. Even during economic downturns, people will still require medical aid and medicine to overcome illness. Therefore, a business in the healthcare sector is often considered to be defensive because the products and services are essential. Having a consistent demand for goods and services makes this sector less sensitive to business cycle fluctuations.

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

Acquisition of Imagine Group
As of 16 December 2013 CGM AG signed a contract to acquire 100 percent of the Imagine Group in France. The Imagine Group consists of the companies Imagine Editions SAS and Imagine Assistance SARL, both located in Soulac Sur Mer (France). Imagine Editions and Imagine Assistance offer "HelloDoc" one of the best recognized software solutions in France for general practitioners, pediatricians and dentists. The Imagine Group contributes revenue of EUR 8.4 million and EBITDA of EUR 0.7 million to the Group in the reporting period.

Acquisition of vision4health-Group

In January 2014, CGM Lab International GmbH, a wholly-owned subsidiary of CGM AG, acquired all material assets of vision4health-Group with operations in Germany, Switzerland, Belgium and France. Vision4health is one of the leading suppliers of laboratory information systems in Europe. The group contributes revenue of EUR 10.7 million and EBITDA of EUR -1.6 million to the Group in the reporting period.

Acquisition of sales and service partners in Germany

In May 2014, CompuGroup Medical Deutschland AG, a wholly-owned subsidiary of CGM AG, acquired 100 percent of the shares in Sturm Medical Solutions GmbH, headquartered in Trossingen, Germany and the Corent group of companies with locations in Hamburg, Kiel and Schwerin. In September, all shares in TurboMed-Center Steffen Kasper GmbH & Co KG in Blankenburg were also acquired. These companies are sales and service partners that specialize in a product line from CGM and support and sell towards medical practices in their region. These companies combined contribute revenue of EUR 3.1 million and EBITDA of EUR 0.4 million to the Group in the reporting period.

Acquisition of farma3tec S.r.l. and Mondofarma S.r.l., Italy

In September 2014, CGM Italia SpA, a wholly-owned subsidiary of CGM AG, acquired effectively all shares of farma3tec S.r.l. based in Rome and its subsidiary Mondofarma S.r.l. located in Chiusi. Farma3tec develops software solutions for pharmacies in Italy and Mondofarma is the main distributor of the farma3tec software solutions. The companies contribute revenue of EUR 4.1 million and EBITDA of EUR 0.1 million to the Group in the reporting period.

Acquistion Labelsoft BV, Netherlands

In October 2014, CompuGroup Medical Holding Cooperatief UA, a wholly-owned subsidiary of CGM AG, acquired 100 percent of the shares in Labelsoft BV based in Zoetermeer, Netherlands. Labelsoft develops software solutions for ambulatory extended care organizations and other office-based physicians in The Netherlands. The company contributes revenue of EUR 0.8 million and EBITDA of EUR 0.2 million to the Group in the reporting period.

Objectives and strategies

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

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

Internal management system

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

1. Growth
2. Return on Capital
3. Sustainability

In any fundamental value calculation, growth is a primary driver of monetary value. In addition, and also because of the inherent economic benefit, growth drives pricing multiples in the stock market. Growth also offers benefits that go beyond economic equations. Growth enables the further development of the company, creates career opportunities and motivates employees. For our customers, growth means we can invest more into our products and services with technology investments spread over a larger revenue base. In summary, growth is crucial to all stakeholders of CGM: customers, employees and shareowners.

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

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

A comprehensive set of financial and non-financial key performance indicators are derived from the three primary objectives described above. Unchanged to 2013 we used the following financial KPIs to manage our performance in 2014. Unless otherwise stated, all financial numbers are reported and audited IFRS figures:

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

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

EUR '000	2014	2013	Source
Software maintenance and other recurring revenue	332,084	300,613	Note 19
Hardware rental (non-IFRS)	5,709	5,623	Internal accounts
Recurring revenue	**337,793**	**306,236**	
Growth (in %)	**10.3%**	**5.5%**	

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

EUR '000	2014	2013	2012	Source
Group sales revenue	515,104	459,555	450,582	Income statement
Studiofarma/QF	-10,260	-7,319	-/-	Internal accounts
InterM (ÄND)	0	-1,170	-/-	Internal accounts
Imagine Group	-8,371	-/-	-/-	Company acquisitions
vision4health Group	-10,667	-/-	-/-	Company acquisitions
farma3tec/Mondofarma	-4,110	-/-	-/-	Company acquisitions
Labelsoft	-819	-/-	-/-	Company acquisitions
Sales and service partners Germany	-3,076	-/-	-/-	Internal accounts
Puntofarma	-2,060	-/-	-/-	Internal accounts
Other acquisitions	-524	-1,218	-39,105	Internal accounts
Group organic revenue	**475,217**	**449,848**	**411,477**	
Organic growth (in %)	**3.4%**	**-0.2%**	**3.6%**	

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

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

EUR '000	2014	2013	Source
Consolidated net income	24,096	21,718	Income statement
Amortization without amortization of self-developed software	30,139	28,912	Change in Intangible and Tangible Assets
Goodwill impairment	1,561	954	Change in Intangible and Tangible Assets
Cash Net Income	**55,796**	**51,663**	

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

EUR '000	2014	2013*	Source
Net debt	334,915	298,169	a + b - c
a. Liabilities to banks (non-current)	336,437	278,108	Statement of financial position
b. Liabilities to banks (current)	19,943	43,559	Statement of financial position
c. Cash and cash equivalents	21,465	23,453	Statement of financial position
Earnings before interest, taxes depr. and amort. (EBITDA)	96,680	97,776	Income statement
Leverage	**3.46**	**3.05**	

* Adjusted because of retrospective adoption of IFRS 10, ref. Notes.

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

EUR '000	2014	2013*	2012	Source
Earnings before interest and tax (EBIT)	53,899	56,828		Income statement
After-tax operating income	37,729	39,780		EBIT x (1 – 30%)
Invested Capital		556,090	505,403	a – b + c – d
a. Assets		691,292	651,284	Statement of financial position
b. Current liabilities		155,308	173,508	Statement of financial position
c. Current liabilities to banks		43,559	46,580	Statement of financial position
d. Cash and cash equivalents		23,453	18,953	Statement of financial position
Return on Capital (%)	**6.8%**	**7.9%**		**After-tax operating income / Invested Capital (t-1)**

* Adjusted because of retrospective adoption of IFRS 10, ref. Notes.

CGM's access to a large and growing customer base, the reputation we hold among our customers and our ability to serve them through highly qualified and motivated employees are critical non-financial success factors which drive all our primary objectives. Unchanged to 2013 we used the following non-financial KPI to manage our performance in 2014:

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

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

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

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

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

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

Capitalized in-house services
In accordance with the provisions of IAS 38, the development work for capitalized in-house services (approximately 261,000 hours) is capitalized as an asset, which had a EUR 9.2 million effect on CompuGroup Medical's EBITDA in 2014. The amortization of capitalized in-house services from prior periods was EUR 3.3 million in 2014. The vast majority of this development work stemmed from the new development project G3.HIS (new development of a Hospital Information System) which involves several Group companies. The larger item in terms of development hours has generated costs in the current year. This mainly involves software maintenance by adapting/constantly improving software products to new and/or amended legal or contractual requirements, work which cannot be recognized in assets. Depending on the area of expertise and/or current regulations, updates are generally required each quarter. The share of capitalized in-house services relative to total software development and maintenance costs was 8 percent in the reporting period. The average number of employees working in software development and maintenance during 2014 was 1,377.

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

In its most recent Economic Outlook published in November 2014, the OECD provides an analysis of the major economic trends in 2014. Overall, the global economy continues to be subdued with growth rates below past norms. At the same time, unemployment has stayed significantly above the pre-financial crisis levels in many economies. There are however important differences across countries: Growth has picked up in the United States and the United Kingdom. In contrast, it has stagnated or declined in the largest euro area economies, reflecting persisting imbalances and heightened political tensions that have hit confidence. Japan has fallen into a technical recession, with activity affected by the necessary consumption tax increase. Growth has also been diverging among the large emerging market

economies. In China, India and Indonesia, activity has been relatively strong whereas in Brazil, Russia and South Africa, GDP contracted or stagnated at low growth rates over the first three quarters of 2014 amid falling commodity prices, political uncertainties and international sanctions in Russia.

As a reflection of the stagnant state of global markets, commodity prices have weakened substantially in 2014. Energy prices and prices of globally traded agricultural commodities have declined sharply over the second half of 2014, reflecting a combination of weaker global demand and improved supply. Geopolitical tensions have also intensified with the resurgent conflict in the Middle East and trade sanctions on Russia adding to uncertainty and weakening external demand for some economies, especially in Europe.

In terms of labor market, the OECD countries have seen improvements during 2014 but again with marked differences between economies. In the United States, employment growth has strengthened this year to around 1.5 percent (year-on-year) and job opening rates continue to rise. In the United Kingdom, job growth also remains robust with the unemployment rate declining by around 1.5 percentage points over the year to the third quarter of 2014. In most of the euro area, by contrast, the unemployment rate is still very high with an area-wide rate about 4.5 percentage points above its pre-financial crisis level. The long-term unemployment rate is more than double the pre-crisis level and over one-half of those unemployed have now been out of work for over a year. In Japan, the labor market also remains tight.

Forward-looking business surveys and composite leading indicators signal a robust US recovery whereas the euro area faces an increasing risk of stagnation and Japan's escape from deflation is not yet assured. Growth in emerging economies will remain stronger, but also reveals important differences: GDP will slow in China, but pick-up in India and remain sluggish in Brazil and Russia. There are substantial downside risks to the outlook. Risks of financial instability remain high, while volatility may increase, notably for emerging markets, as monetary policy and economic activity differ across the major economies. Debt levels are high by past standards and some emerging economies have significantly increased external financial exposure. Because the growth of potential output has slowed in major economies since the crisis, future trend growth may be weaker than anticipated.

Industry development

The consistent trend of a growing healthcare sector, including healthcare-specific information technology and related services, was apparent also in 2014. Major factors driving the growth of the healthcare information technology market are the rise in pressure to cut healthcare costs, growing demand to integrate healthcare systems, financial support from the governments and government initiatives, aging population, growing demand to reduce medication errors and rise in incidences of chronic diseases. The high rate of return on investment to solve these challenges through information technology drives a robust and sustainable demand for software and related services within healthcare.

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

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

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

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

Course of business

In summary, 2014 was similar to 2013: a relatively weak first six months followed by a strong second half and finish to the year. In terms of segments and geographical markets, it was also a mixed picture with good organic growth and strong development in the high margin European Ambulatory Information Systems business, but lower than average growth in Hospital Information Systems, weakness in the US and lower than expected revenue in the Communication & Data segment.

The table below shows the 2014 outcome compared with the forecast presented in the Management Report for the 2013 financial year (published in March 2014), as expressed by the most important financial and non-financial KPIs of the internal management system.

EUR million	2014 outcome	2014 forecast*	Deviation
Sales revenue	515	518–528	-3
Revenue growth (%)	12%	13%–15%	-1%
Organic growth (%)	3%	4%–6%	-1%
Recurring revenue	338	336	+2
Recurring revenue growth (%)	10%	10%	None
EBITDA	97	100–110	-3
EBITDA margin (%)	19%	20%–21%	-1%
Cash Net Income	56	54–60	None
Return on Capital (%)	6.8%	7.4%–8.6%	-0.6%

* From the 2013 Management Report. Adjusted for acquisitions made during 2014.

The reported 2014 EBITDA includes gains on disposals of non-current assets (EUR 8.4 million related to the sale of the REWE/DMS business activities in Germany) as well as certain one-off restructuring costs (EUR -3.4 million predominantly related to severance pay in Italy, France, Germany, Austria, EUR -0.2 million related to office closures as well as direct expenses of EUR -4.5 million related to the replacement of obsolete ERP/CRM systems in Germany and Italy).

As can be seen from the table above, most reported KPIs are slightly below the forecasted ranges. The relatively slow beginning to the year precluded the Group from fully reaching the targets for 2014.

Ambulatory Information Systems (AIS)

In the 2013 Management Report, the expected 2014 full year AIS revenue was forecasted between EUR 297 million and EUR 303 million (including approximately EUR 3 million from acquisitions made during the year). The reported revenue outcome of EUR 297 million is at the lower end of this range. Adjusted for changes in currency exchange rates, the revenue outcome was EUR 299 million which is in the middle of the forecasted range. Overall, it has been a good year in the doctor and dental software business.

The year started relatively well in the European markets in the first quarter, with 6 percent year-on-year organic revenue growth at constant exchange rates. In the second quarter, business volume picked up with 12 percent year-on-year organic growth at constant exchange rates. The higher second quarter growth rate was also influenced by a relatively weak period to compare with in 2013. In the third quarter, the expansion continued with 7 percent year-on-year organic growth at constant exchange rates and the positive development of the European AIS business concluded in the fourth quarter with 11 percent organic growth at constant exchange rates. For the full year 2014, the European AIS business grew organically with 9 percent at constant exchange rates. A significant part of this growth is related to the Telematics Infrastructure and Electronic Health Card (eGK) project in Germany, which contributes 5 percent to the European AIS revenue growth.

In the United States, a temporary decline in revenue was expected due to a transition to a more subscription based business model and the ending of some legacy product lines. Revenue of EUR 33.7 million (USD 44.7 million) corresponds to -8 percent year-on-year contraction. In terms of sales and order bookings, the outcome in 2014 showed a significant improvement and was 29 percent higher than last year (USD 17.6 million vs. USD 13.7 million). CGM software solutions and services do meet the needs of the market very well and CGM continues to expand the direct sales force in the US to further strengthen distribution and restore organic growth in the US business.

For the further development of the US business, a rotation in the US leadership team was made in August, with Werner Rodorff stepping in as new CEO of CGM US. Furthermore, it was announced that effective January 1 2015, the company's US head office will be relocated to the already existing CGM office location in Phoenix, Arizona. The relocation is part of the company's efforts to improve cost efficiency and to accommodate the expansion of CGM's customer-base, staff and internal infrastructure by consolidating key business units into a single location.

Telematics Infrastructure and Electronic Health Card (eGK)

In December 2013, CGM won the tender advertised by the Society for Telematic Applications for the German Health Card ("gematik" – Gesellschaft für Telematikanwendungen der Gesundheitskarte mbH) in a consortium with Booz & Company and KoCo Connector AG (a CGM group company). The tender is for the online rollout of the first level testing for the telematic infrastructure in one of two test regions in Germany. CGM's share of the tender's contract value within the AIS segment is approximately EUR 22 million with all material deliveries in 2014 and 2015. A further approximately EUR 7 million of revenue from this tender award is expected in other business segments (ISP) in the same delivery period.

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

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

The pilot project commenced in January 2014 with the development, construction and integration of the infrastructure components as well as the roll-out of the central network. In a first step, the specialist services of the health insurance companies to support the insured master data management (VSDM) were connected to the network in June. The full development of the central network was completed in December 2014.

As for the decentralized components (card, card terminals, connectors), certain functional enhancements and technical improvements were introduced in consultation with the shareholders of gematik during the second quarter. This delayed the start of the testing of VSDM previously targeted for the fourth quarter of 2014. This is now expected in Q2-Q3 2015 with testing of all participants and with commissioning and approval having been completed beforehand. According to current planning, the testing of the qualified electronic signature (QES) will be tested alongside the testing of VSDM. CGM has already recruited all required doctors (500 out of 500 required) to participate in the pilot and the interest in the project from the provider side has been stronger than expected.

After successful completion of the testing and parallel evaluation the telematics infrastructure network will be ready for the nationwide connection of all clinics and hospitals in Germany.

Market position in France strengthened
As of 16 December 2013 CGM AG signed a contract to acquire 100 percent of the Imagine Group in France. The Imagine Group consists of the companies Imagine Editions SAS and Imagine Assistance SARL, both located in Soulac Sur Mer (France). Imagine Editions and Imagine Assistance offer “HelloDoc” one of the best recognized software solutions for general practitioners, pediatricians and dentists for more than 25 years. The software is currently used by app. 20,000 professionals. In addition to the HelloDoc software the companies are providing data and Telesecretary services to healthcare professionals. With this acquisition, CGM doubles the market share in France to now approximately 40 percent of computerized practices.

Market position in laboratory information systems strengthened
On 6 January 2014, the 100 percent owned subsidiary of CGM AG, CGM Lab International GmbH, completed a transaction to acquire the business of vision4health Laufenberg & Co., a leading innovator in software solutions for laboratory and diagnostics in Europe. With more than 200 installations in Europe, vision4health is one of the leading suppliers of laboratory information systems with some of the largest and most prestigious hospitals and private laboratory groups as reference customers. Through this agreement, CompuGroup Medical acquires all significant assets and shares of the target group of companies, located in Germany, Switzerland, Belgium and France. Through this acquisition, CGM has considerably strengthened its market position in laboratory information systems, thus opening new strategic options in the networking of healthcare services and providers in core home markets.

Broader distribution model in Germany
CGM currently serves approximately 89,000 physicians and dentists as customers and users of its medical and dental information systems in Germany. The distribution of software and hardware products, as well as the associated service and support is today done through a network of approx. 150 sales and service partners. These sales and service partners are predominantly independent IT system houses that specialize in a product line from CGM and support and sell towards medical and dental practices in their regional environment.

CGM wants to integrate closer with these highly specialized partners and at the same time strengthen the distribution power for new products and services in Germany. This goal shall be reached by selectively taking equity participations in efficient sales and service partners and gradually build CGM’s nationwide sales and service network. In some cases, the active owner-manager(s) of these sales and service partners will retain part of their ownership and will continue to support CGM with their experience through the “CGM Premium dealer model” and receive an incentive for increasing the value of their participation. Alternatively, there is also the possibility of CGM taking over all the shares of a sales and service partner. Discussions with various partners regarding an investment or acquisition were performed during 2014. In May, the acquisition of a sales and service partner in southern Germany was made, the company SMS GmbH, headquartered in Trossingen (Black Forest). Furthermore, the Corent group of companies was acquired in June, with locations in Hamburg, Kiel and Schwerin. In September, all shares in TurboMed-Center Steffen Kasper GmbH & Co KG in Blankenburg were also acquired.

Market position in The Netherlands strengthened
In October, CompuGroup Medical Holding Cooperatief UA, a 100 percent subsidiary of CompuGroup Medical AG, concluded a transaction to acquire Labelsoft BV based in Zoetermeer/The Netherlands. With this acquisition, CompuGroup Medical has strengthened its position in the Dutch market for primary care software to more than 25 percent of the market share with GPs, and 75 percent of the market share with ambulatory extended care organizations (HAPs).

Labelsoft is active in the Dutch software market for General Practitioners and the market leader in HAP market. A "HAP" is a regional cooperation between GPs taking care of first line care after normal business hours and during weekends. HAPs are usually located in or close to a hospital. Labelsoft develops software solutions for such HAPs and is, with a 75 percent market share, the market leader in this segment. Labelsoft also has a 5 percent share of the Dutch GP market.

Pharmacy Information Systems (PCS)
In the 2013 Management Report, the expected 2014 full year PCS revenue was forecasted between EUR 79 million and EUR 80 million (including approximately EUR 6 million from acquisitions made during the year). The revenue outcome of EUR 79 million is within this range and overall, it has been a decent year in the pharmacy software business. For the full year 2014, revenue grew 28 percent driven by the new companies in Italy acquired in 2013 (Studiofarma and Qualita in Farmacia) and 2014 (farma3tec, Mondoframa and Puntofarma). The announcement from Microsoft to cease support for Windows XP and Office/Word 2003 in 2014 triggered a robust demand for system upgrades in Germany to the fully touch-enabled program WINAPO® 64 and the designer hardware WINAPO® One, an integrated computer-monitor solution which make the pharmacies everyday life more efficient.

Market position in Italy strengthened
In July CompuGroup Medial, through the 95 percent subsidiary Qualita in Farmacia S.r.l, acquired the assets of Puntofarma S.r.l, Brescia, one of the main distributors of the Studiofarma software solutions. This transaction added another 800 pharmacies to the direct service of CGM.

In September, CompuGroup Medical AG concluded a transaction to acquire farma3tec S.r.l., a subsidiary of Alliance Healthcare Italia, and a leading provider in the Pharmacy Information Systems Sector. With this acquisition, CompuGroup Medical has strengthened its position in the Italian market for Pharmacy Software to more than 50 percent market share with pharmacies and pharmacy related service providers and continues to expand its customer base especially to mid- and southern Italy. CompuGroup Medical acquired 80 percent of the shares of farma3tec S.r.l. based in Rome and its subsidiary, Mondofarma S.r.l., located in Chiusi. Alliance Healthcare Italia will hold a minority stake of 20 percent in farma3tec and remain on board as a strategic partner. farma3tec develops software solutions for pharmacies in Italy and is, with its 5,000 customers, number two behind the CGM subsidiary, Studiofarma. Mondofarma is the main distributor of the farma3tec software solutions and has approximately 1,000 customers. Additionally, it sells hardware and other products.

Organizational and process-related improvements
The German pharmacy software business went live with the new group-wide ERP/CRM "OneGroup" solution in January as one of the two first organizational units in CGM. More than 350 employees were successfully migrated and trained in the new system during the first quarter 2014 and the business will increasingly benefit from organizational and process-related improvements enabled through the new system. In Italy, the pharmacy software business there made the first step transition to the OneGroup system in July with all units being planned for migration by April 2015. Following this transition, the complete pharmacy software business will be supported by the same unique internal software solution and all businesses will benefit from the same organizational and process-related improvements.

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

Hospital Information Systems (HIS)
In the 2013 Management Report, the expected 2014 full year HIS revenue was forecasted between EUR 80 million and EUR 82 million. The revenue outcome of EUR 80 million, which corresponds to -2 percent organic year-on-year contraction, is within this range and overall, it has been a decent year in the hospital market. Good growth is seen in the markets in Poland and Switzerland whereas the markets in Austria and Germany have gone through a phase of transition both in terms of specific customer projects and in terms of product and market focus.

Swiss hospital Limmattal optimizes HIS with G3 technology
For the modernization of its IT environment, the Limmattal Hospital in Switzerland relies on the new software generation "G3" from CGM. Since 2004, the hospital has been using CGM's legacy HIS solution "CGM PHOENIX" with custom made medical applications on top. From the outset it was clear that no exchange of the existing fully functional HIS would take place, but instead the harmonization of individual applications of hospitals as well as their modernization. Beginning in 2014, the Limmattal hospital began a long-term migration strategy to replace core applications for medication, care management, coding and process controlling via CGM's G3 modules. In 2015, Limmattal will also implement additional applications for planning and scheduling, so that the hospital can make use of comprehensive G3-based process controlling and complete clinical documentation.

Successful completion of KAV project in Austria
As one of the leading healthcare providers in Europe, the Vienna Hospital Association (KAV) in Austria offers its services at the highest international level. In 2008, KAV had set itself the goal of modernizing the existing IT infrastructure to the end of 2014 through a new centralized software solution to support all medical, nursing and administrative processes. The contract for this modernization program was awarded to CGM in Austria in October 2008 and the following implementation project of the new hospital information system "impuls.kis" was one of the most extensive ever to be taken on in Europe.

The first major milestone was the go-live of the dermatology outpatient clinic of the Kaiser-Franz-Josef-Hospital, the first unit to be working with the new system since January 2010. From then on, step by step, in every ward in every KAV organization "impuls.kis" was put into operation. Completion of the entire conversion process and thus the official end of the project was the end of 2013. During 2014, additional requirements were implemented that were identified during the deployment as necessary extensions.

Altogether, the giant project from KAV and CGM was implemented on time and on budget. The resulting modern IT system offers numerous advantages in every hospital, nursing home and geriatric center throughout KAV. Standards that have been developed in the context of impuls.kis gives the advantage of a uniform and reproducible procedure at any time to ensure the highest possible standard of care for the entire regional population.

Focusing of the German HIS business
CGM's HIS business in Germany is mainly comprised of software for social care institutions (geriatric care, institutions for people with disabilities and child and youth social care organizations), software for rehabilitation clinics and software for acute hospitals (i.e. 'normal' hospitals). In addition, add-on modules have been developed in areas of accounting, controlling and business intelligence software (Rechnungswesen & Controlling – 'REWE') as well as document management software/electronic archiving solutions (Document Management Solutions – 'DMS'). The REWE and DMS modules have also been sold to external (non-healthcare) customers. All products were developed 15-20 years ago in traditional 'client-server' architecture and in native Microsoft Windows technology. This legacy technology is coming to an end and CGM is already far advanced in a new product generation written in Java/HTML5 and based on web technology (G3) for the primary applications in social care, acute hospitals and rehabilitation clinics. For the add-on modules REWE and DMS, however, a next generation product development is not planned and instead, a sale of these product areas was made to a strategic buyer (also a related entity) in December 2014. Beginning in 2015, the new product owner of REWE and DMS will maintain the current products in a relatively long perspective and in parallel develop a new product generation based on web-technology to offer the CGM customers when they gradually migrate to a the new technology product generation with their primary software.

Organizational and process-related improvements
The German hospital business went live with the new group-wide ERP/CRM "OneGroup" solution in January as one of the two first organizational units. More than 250 employees were successfully migrated and trained in the new system during the first quarter 2014 and the business will increasingly benefit from organizational and process-related improvements enabled through the new system.

Communication & Data
As expected, the revenue level in Communication & Data continued to decline also in 2014, driven by shifting priorities within the main customer group being pharmaceutical companies. In the 2013 Management Report, the expected 2014 full year Communication & Data revenue was forecasted at approximately EUR 21 million. The revenue outcome of EUR 20 million is slightly below this number and the business development in the Communication & Data segment continues to be challenging.

eHealth Business Media
In March 2014, CGM made the announced partial sale of Ärztenachrichtendienst Verlag ("ÄND") as a management buy-out. ÄND is the operator of the independent German physician network "Hippokranet" with more than 51,000 registered members including office-based physicians and hospital doctors of all specialties. ÄND also publishes the quarterly waiting room magazine called "Durchblick Gesundheit". The marketing part of ÄND (advertising rights) has been retained in CGM and continues under the name "eHealth Business Media".

Workflow & Decision Support

In the 2013 Management Report, the expected 2014 full year workflow and decision support revenue was forecasted between EUR 26 million and EUR 27 million. The revenue outcome of EUR 25 million is slightly below this range and overall, 2014 has developed as expected in the area of workflow and decision support, also considering declining revenue from maintenance of old administrative software applications for German insurance companies, products which were phased-out during 2013. Sales of CompuGroup's drug database tool ipC3 to 3rd party software vendors continue at a steady pace and the North Rhine-Westphalia medication account record project is progressing as planned. Some new workflow & decision support contracts have also been signed, but the pace of such new business is slow with long sales and implementation cycles.

Microsoft and CGM focus on mobile applications in healthcare together

In March 2014, CGM and Microsoft entered into strategic cooperation on mobile healthcare applications. In a mutual action plan, both Microsoft and CGM will invest in mobile services for better communication between doctors and patients based on CGM LIFE eSERVICES and Windows 8.1. Through this cooperation, CGM will strengthen its portfolio of mobile healthcare solutions for patients and doctors thus expanding its global technology leadership in the healthcare industry.

With CGM LIFE eSERVICES, which is already used by 180,000 patients in six countries, doctors can network with patients in a completely new way, e.g. to book appointments or request prescriptions, communicate in a secure online dialog or conveniently and securely manage medical findings. In the scope of the cooperation, mobile applications, such as the patient App "myDoktor", or mobile appointment booking apps for doctors will be developed for the Windows 8.1 platform. The foundation for this will be the CGM LIFE eSERVICES crypto platform, in which medical data can be securely stored. As part of the cooperation, this platform will be equipped with a software development kit enabling our partner to develop mobile health apps for Windows 8.1 which use the medical cloud of CGM and are able to profit from the CGM LIFE integration to doctor's information systems.

Internet Service Provider (ISP)

In the 2013 Management Report, the expected 2014 full year ISP revenue was forecasted at approximately EUR 16 million. Due to some changed milestones in the overall Telematics Infrastructure project, unrelated to CGM's deliveries, the ISP revenue recognized from this project was approximately EUR 2 million lower than initially planned for 2014, resulting in a segment revenue outcome of EUR 14 million. This outcome only represents a shift in revenue from 2014 into the 2015 financial year and overall the development of the ISP business is positive with many growth opportunities ahead, especially in Germany.

Results of Group operations

Five Year Overview

	2014 EUR million	2013 EUR million	2012 EUR million	2011 EUR million	2010 EUR million
Group sales	515.1	459.6	450.6	397.3	312.4
Expenses for goods and services purchased	99.2	79.4	82.5	76.1	59.0
Personnel expenses	247.8	214.9	202.0	188.5	144.3
Other expenses	93.3	79.6	73.2	68.9	53.6
EBITDA	96.7	97.8	104.8	74.3	67.0
in %	*18.8%*	*21.3%*	*23.3%*	*18.7%*	*21.4%*
EBIT	53.9	56.8	64.1	37.9	33.2
in %	*10.5%*	*12.4%*	*14.2%*	*9.5%*	*10.6%*
EBT	44.5	35.2	48.4	25.7	26.5
in%	*8.6%*	*7.7%*	*10.7%*	*6.5%*	*8.5%*
Consolidated net income	24.1	21.7	30.4	9.8	16.8
in%	*4.7%*	*4.7%*	*6.7%*	*2.5%*	*5.4%*

Revenue

Consolidated revenue in 2014 was EUR 515.1 million compared to EUR 459.6 million in 2013. This represents an increase of EUR 55.5 million and 12.1 percent respectively. Acquisitions contribute 9 percent to growth and organic growth was 3.4 percent for the year. The weakening of the Swedish, Norwegian and Czech Krona, the Turkish Lira as well as other currency fluctuations reduced revenue with EUR 3.9 million compared to last year and organic growth at constant exchange rates was 4.3 percent.

In the HPS I segment, sales to third parties were EUR 375.3 million compared to EUR 320.4 million in 2013. This represents an increase of approximately 17 percent, of which approximately 4 percent is organic growth (5 percent at constant exchange rates). Sales to third parties in Ambulatory Information Systems (AIS) grew at 14 percent, of which approximately 5 percent is organic growth (7 percent at constant exchange rates). Sales to third parties in Pharmacy Information Systems (PCS) grew at 28 percent, of which 1 percent is organic growth.

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

EUR million	01.01–31.12 2014	01.01–31.12 2013	Change
Ambulatory Information Systems	296.5	259.1	14%
Pharmacy Information Systems	78.8	61.4	28%
Sales to third parties	**375.3**	**320.4**	**17%**
Sales between segments	6.5	7.6	
Segment sales	**381.8**	**328.0**	

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

EUR million	First-time revenue 2014	Segment
Neurone (consolidated from 01.05.2013)	0.1	HPS 1 (AIS)
Tekne (consolidated from 01.08.2013)	0.3	HPS 1 (AIS)
Imagine Group (consolidated from 01.01.2014)	8.4	HPS 1 (AIS)
Vision4health Group (consolidated from 01.01.2014)	10.7	HPS 1 (AIS)
German dealers (various consolidation starts)	3.1	HPS 1 (AIS)
Labelsoft (consolidation from 01.10.2014)	0.8	HPS 1 (AIS)
Meditec (consolidated from 01.02.2013)	0.1	HPS 1 (PCS)
Studiofarma/QiF (consolidated from 01.08.2013)	10.3	HPS 1 (PCS)
Puntofarma (consolidated from 01.08.2014)	2.1	HPS 1 (PCS)
Farma3tec/Mondofarma (consolidated from 01.09.2014)	4.1	HPS 1 (PCS)
Total	**39.9**	

In the HPS II segment, the development in Hospital Information Systems (HIS) was a -2 percent organic contraction year-on-year.

HPS II revenue development (including currency effects):

EUR million	01.01–31.12 2014	01.01–31.12 2013	Change
Hospital Information Systems	79.8	81.2	-2%
Sales to third parties	**79.8**	**81.2**	**-2%**
Sales between segments	10.8	12.9	
Segment sales	**90.6**	**94.1**	

In the HCS segment, revenue was EUR 60.1 million compared to EUR 57.7 million in 2013. This represents an increase of approximately 4 percent, all of which is organic growth (6 percent at constant exchange rates).

HCS revenue development (including currency effects):

EUR million	01.01-31.12 2014	01.01-31.12 2013	Change
Communication & Data	20.4	22.5	-9%
Workflow & Decision Support	25.2	24.6	3%
Internet Service Provider	14.4	10.6	36%
Sales to third parties	**60.1**	**57.7**	**4%**
Sales between segments	5.9	4.6	
Segment sales	**66.0**	**62.3**	

Profit

Consolidated EBITDA amounted to EUR 96.7 million compared to EUR 97.8 million in 2013, i.e. virtually unchanged. The corresponding operating margin (EBITDA margin) was 19 percent compared to 21 percent in 2013. In the HPS I-Segment, the EBITDA decreased from EUR 99.4 million in 2013 to EUR 96.4 million in 2014. The lower EBITDA is a result from losses in the newly acquired laboratory information system business and integration and restructuring costs in other newly acquired businesses in Italy and France. There was also a one-time positive effect from the release of pension provisions in The Netherlands amounting to EUR 2.9 million in 2013 which did not repeat this year. In the HPS II segment, the EBITDA was EUR 16.9 million in 2014, up from EUR 11.7 million in 2013. Lower revenue and higher regular operating expenses drove underlying margins lower in HPS II during 2014. However, a EUR 8.4 million one-time positive gain related to the asset sale of the REWE and DMS business in Germany made the total segment profits higher in 2014 despite the underlying development of the business. In the HCS segment, the EBITDA went from EUR 5.2 million last year to EUR 11.0 million in 2014. The increasing profitability in the HCS segment is due to effective cost and resource management across the different business segments in HCS with lower revenue in Communication & Data but with significant growth in both Workflow & Decision Support and in the ISP segment.

The main developments in operating expenses in 2014 were:

- Expenses for goods and services purchased went from EUR 79.4 million to EUR 99.2 million, corresponding to an increase of 25 percent year-on-year. The slightly lower gross margin (81 percent vs. 83 percent in 2013) is mostly due to expenses related to the telematik infrastructure pilot project in Germany during 2014.
- The increase in personnel expenses by EUR 32.9 million is attributable to the increase in the average number of employees by 422 between the two fiscal years. This is mainly due to the employees in acquired companies.
- Other expenses increased from EUR 79.6 million in 2013 to EUR 93.3 million in 2014. This is mainly due to other expenses in acquired companies as well as restructuring expenses incurred in 2014.

Depreciation of tangible fixed assets increased marginally from EUR 7.4 million in 2013 to EUR 7.8 million in 2014. This is mainly due to the first time consolidation of fixed assets depreciation in acquired companies. Amortization of intangible assets in 2014 in the amount of EUR 35.0 million, up from EUR 33.6 million in 2013. The increase is caused by goodwill impairments in 2014.

Financial income increased from EUR 4.3 million in 2013 to EUR 13.0 million this year due largely due to non-cash gains on non-EURO group internal debt (predominantly held in USD). The financial expense decreased from EUR 25.9 million in 2013 to EUR 22.4 million in 2014. Interest expense on liabilities to banks increased slightly from EUR 13.8 million in 2013 to EUR 14.4 million in 2014, whereas the other financial expenses are mostly non-cash items arising from changes in non-EURO group internal debt and changes to purchase price liabilities. For more information about financial income and expenses, see the Notes to the Consolidated Financial Statements section, Note 27.

The effective tax rate was in 2014 45 percent, up from 37 percent in 2013. After tax earnings came in at EUR 24.6 million in 2014, compared to EUR 21.7 million in 2013. This increase is predominantly driven by the change in financial income and expenses between the two years.

Financial position

Since the statement of financial position of 31 December 2013, total assets increased by EUR 45.3 million to EUR 736.6 million. Intangible assets represent the largest item of individual asset classes in terms of value and are EUR 517.5 million as of 31 December 2014 compared to EUR 486.1 million as of 31 December 2013. Their share of total assets was 70.3 percent (previous year: 70.3 percent). Intangible assets primarily originated from undisclosed reserves from company acquisitions un-covered during purchase price allocations. The uncovered intangible assets mainly pertain to customer relationships, order backlog, software, brand values, and “residual” goodwill.

The largest changes to other individual asset classes are a EUR 20.3 million increase in trade receivables. This increase results primarily from an 11.6 million PoC receivable from the Telematic Infrastructure project in Germany as well as receivables in new companies acquired. For all other assets there are only minor changes during 2014.

After consolidating EUR 24.1 million in net profit for the period from 1 January to 31 December 2014, group equity was EUR 177.8 million as at 31 December 2014, down from EUR 184.7 million as at 31 December 2013. The decrease in equity comes after the effect from a EUR 17.4 million dividend paid to the shareholders of CompuGroup Medical AG. In addition, the equity effect from changes in currency exchange rates, changes in interest rates (actuarial losses) and change in accounting treatment of interest rate swap (discontinued hedge accounting) together amounted to EUR -8.8 million during 2014. The equity ratio decreased from 26.71 percent as at 31.12.2013 to 24.14 percent as at 31.12.2014.

During the reporting period, a EUR 52.4 million change to total current and non-current liabilities occurred going from EUR 506.4 million as at 31.12.2013 to EUR 558.8 million as at 31.12.2014. The biggest changes to individual positions is an increase in other financial liabilities of EUR 6.3 million associated with financial leasing arrangements and a EUR 6.9 million increase in provisions for post-employment benefits. Long and short-term liabilities to banks increased by EUR 34.7 million through the net assumption of new debt.

Changes in currency exchange rates reduced the net assets of the Group by EUR 11.4 million during the reporting period (previous year: EUR 1.3 million).

Cash flow

Cash flow from operating activities during 2014 was EUR 31.9 million compared to EUR 52.3 million in 2013. The changes compared to 2013 mainly come from the following positions:

- Group net income came in at EUR 24.1 million in 2014, which is an increase of EUR 2.4 million compared to 2013.
- Gross proceeds from sale of fixed assets (REWE/DMS business) is shifted to cash flow from investments with EUR 9.0 million in 2014 (2013 value: zero).
- Other non-cash income and expenses changed by EUR -15.4 million compared to last year, down to EUR -6.8 million. This is mostly driven by non-cash financial income and expenses related to changes in currency exchange rates and valuation of Group-internal debt.
- Deferred taxes increased by EUR 4.9 million, up to EUR -2.1 million. This is driven by more taxes being deferred in 2014.
- Trade receivables increased by 7.1 million in 2014 (2013 value: zero). This is predominantly driven by more POC receivables in large projects in Germany (e.g. Telematik Infrastructure).

Cash flow from investment activities during 2014 amounted to EUR -57.4 million compared to EUR -80.4 million in 2013 due to lower expenditures for acquisitions in 2014 compared to 2013.

Cash flow from financing activities during 2014 amounted to EUR 23.1 million compared to EUR 33.0 million in 2013. Main items which make up the financial cash flow in 2014 is the dividend distribution of EUR 17.4 million and a net assumption of loans of EUR 40.8 million.

Principles and objectives of financial management

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

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

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

Capital structure

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

As at 31.12.2014, the Group had gross debt of EUR 356.4 million and held EUR 21.5 million in cash. For more information about the liabilities to banks and the structure of debt, see the Notes to the Consolidated Financial Statements section, note 14.

During 2014, a significant amount of financing activities took place. In September CGM entered into a new syndicated loan facility for a total sum of EUR 400.0 million. The syndicated loan facility consists of a "term loan facility" (also referred to in the following as "TLF") for EUR 225 million and a "revolving loan facility" (also referred to in the following as "RLF") for EUR 175 million. The syndicated loan facility has a duration of five years. The TLF must be repaid pro rata in equal instalments of EUR 15.0 million on 31 January and 31 July in each year, commencing on 31 July 2015, with a final payment of the balance of any outstanding term facility loans to be repaid on the termination date. The RLF must be repaid at the end of each interest period and can be taken out again immediately thereafter. The interest period can be chosen by CGM AG at its discretion. The interest rate is based upon the 3-month-EURIBOR rate for the interest period chosen plus a margin derived from the relationship between the consolidated net borrowings and the adjusted consolidated EBITDA (Leverage). The margin is 2 percent for the first six months.

As of 31 December 2014 EUR 225 million of the TLF and EUR 105.0 million of the RLF were utilized. Loan origination fees totaling EUR 3.2 million were incurred related to these facilities. These fees will be charged as a financial expense over the term of the loan agreement. For this syndicated loan facility no interest rate hedge has been concluded as of the reporting date. The grant of the loan is linked to the compliance of certain financial covenants. The loan agreement includes joint and several guarantees for payment by a number of CGM's subsidiaries (contingent liability in case of non-payment of CompuGroup Medical AG). Based upon the new syndicated loan facility CompuGroup Medical AG repaid at the end of September the previously entered syndicated loan facility as well as two bilateral loan agreements which also matured in 2015. In total EUR 285 million was repaid (refinanced) through the initial utilization of the new syndicated loan in September 2014.

Capital expenditures

In 2014, CompuGroup Medical's capital expenditure consisted of the following:

EUR million	2014
Acquisition of 100% vision4health Group	23.4
Acquisition of 80% of the shares in farma3tech Srl, including its 100% subsidiary Mondofarma Srl, as well as Puntofarma Srl	7.6
Acquisition of AIS sales and service partners in Germany	4.9
Acquisition of Labelsoft BV	4.9
Purchase of minorities and earn-out agreements	1.4
Self developed software and other intangibles	10.5
Group-wide ERP/CRM system (partial project)	6.3
Other property plant and equipment (less disposals)	-1.7
Total	**57.3**

Liquidity

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

The strong liquidity profile of the Group has lead to the principle of holding as little cash as practically possible. To absorb normal everyday cash fluctuations, and also buffer the period pre-payments from customers, the Group held as at 31.12.2014 revolving credit facilities of EUR 175 million and other short-term credit lines of EUR 23.2 million that are used in conjunction with the cash-pooling instruments. The unused portion of these credit facilities was EUR 93.2 million as at 31.12.2014.

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

Financial and non-financial key performance indicators
The financial and non-financial KPIs of the internal management system for the Group are shown in the table below for 2014 and 2013.

EUR million	2014	2013	Change
Sales revenue	515.1	459.6	+55.5
Revenue growth (%)	12.1%	2.2%	+9.9%
Organic growth (%)	3.4%	-0.2%	+3.6%
Recurring revenue	337.8	306.2	+31.6
Growth in recurring revenue (%)	10.3%	5.5%	+4.8%
EBITDA	96.7	97.8	-1.1
EBITDA-margin (%)	18.8%	21.3%	-2.5%
Cash Net Income	55.8	51.7	+4.1
Leverage (ratio)	3.46	3.03	+0.43
Return on Capital (%)	6.8%	7.9%	-1.1%
Customer base (Providers at year-end)	350,000	335,000	+15,000

Based on the indicators above, the performance in 2014 was a mixed picture relative to 2013. Clearly, in terms of all growth indicators, the business accelerated in 2014. Robust and solid organic growth in the core HPS I segment was the main differentiating factor relative to 2014 and this elevated Group organic growth almost 4 percentage points relative to 2013 (more than 4 percent at constant exchange rates) and brings CGM back to historical average organic growth rates. 2014 was also a year with a significant additional growth contribution from acquisitions which is true to the 'buy and build' strategy of the Group. In terms of sustainability, the development in 2014 was also positive. Solid additions to the customer base and recurring revenue base shows that growth is created in a consistent way in accordance with the business model and strategic goals of CGM, i.e. revenue based primarily on long-term customer relationships and recurring revenue. The customer growth comes both from company acquisitions and from sales of existing product and services to new customers. The growth in recurring revenue and larger customer base is a strong foundation for future growth and underpins the sustainability objective. The one area which continues to be subdued also in 2014 is profitability and the resulting return on capital. More than two percentage point contraction in operating margin is contrary to the long-term margin expansion objective of the Company. The main reasons for this development were:

- High fixed costs in the hospital business which erodes margins when revenue falls short of expectations
- Transaction, integration and restructuring costs of several newly acquired companies
- Investments in product and service line expansion related to the Telematik Infrastruktur project in Germany
- Continued investments in product and service improvements, sales and marketing in the United States
- Continued high R&D investments in the G3 HIS 'fast-track' and G3 AIS projects
- Direct expenses related to the roll-out of a single group-wide fully standardized ERP, CRM and CPM system

The lower return on capital is a consequence of higher invested capital in 2014 compared to 2013.

Finally, CGM is for the second year trading above the higher end of the leverage target and following the step-up in M&A it has also increased during 2014. The goal in the coming period is to bring this down through a combination of lower volumes of acquisitions and improved profitability in the existing businesses.

Employee satisfaction indicators and social commitment

Employee absenteeism due to illness remained at a low level throughout the Group in the 2014 financial year. This is an indication of a high degree of contentment and commitment among the workforce. In this context, CompuGroup Medical, in cooperation with the Company physician, regularly offers its employees the possibility of flu vaccinations, cancer screenings and eye examinations.

Since its opening in 2009, the children's daycare center – which is located in CompuGroup's Koblenz Technology Park – has met with very high acceptance, with all 32 places in this comprehensive facility being occupied as of 31 December 2014. Six experienced teachers look after the children.

In 2012, CompuGroup Medical opened the CGM Health Center in Koblenz. The new center, which is 850 m² in size, offers employees a wealth of sports, preventive and health activities. The CGM Health Center was developed in conjunction with renowned fitness experts and scores highly with innovative health concepts in the work environment. For example, the strength training and endurance equipment is electronically linked, allowing employees to control and document training sessions in order to ensure safe and effective training. Employees can review their physical activities at any time and can assess their progress and adjust personal training plans together with trainers. What's more, employees can use the endurance and strength training equipment free of charge. In addition, the CGM Health Center offers a range of various classes, physical therapy and massages. CGM is continuously expanding its corporate health management program.

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

Personnel recruitment and development

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

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

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

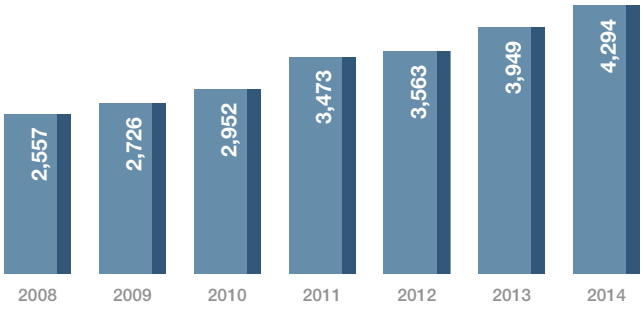
In March 2014, CGM signed a contract with the University in Koblenz as a partner in implementing its practice-integrated dual studies program resulting in a "Bachelor of Engineering" degree. The degree program "Software Engineering in Healthcare", which is assigned to the "Mathematics and Technology Department" of the university in Koblenz, was brought into being by CGM and CGM is thus expanding its responsibility as a major training company in Rhineland-Palatinate. The first students began with the integration phase in August of 2014 where the students spend three of eight total semesters actively working on software projects and development tasks, learning the company's internal processes, taking on responsibilities early in the program, thus qualifying themselves as potential recruitment candidates. An additional partner for the practice-integrated portion of the dual studies program is the Debeka Koblenz.

Furthermore, in December 2014, CGM entered into a second cooperative partnership with the Niederrhein University in Krefeld. Through this new partnership, there are new opportunities for mutual research and development projects in eHealth and IT-supported medical treatment. Furthermore, university students can gain their first hand-on experience at CGM in the form of a dual study program. They will actively participate in the company's software projects, learn about the internal company processes and assume responsibility early on. Thus, students will be optimally prepared for entering the workforce. Additionally, both partners can benefit from an intensive exchange in the area of standardizing medical data.

Employees

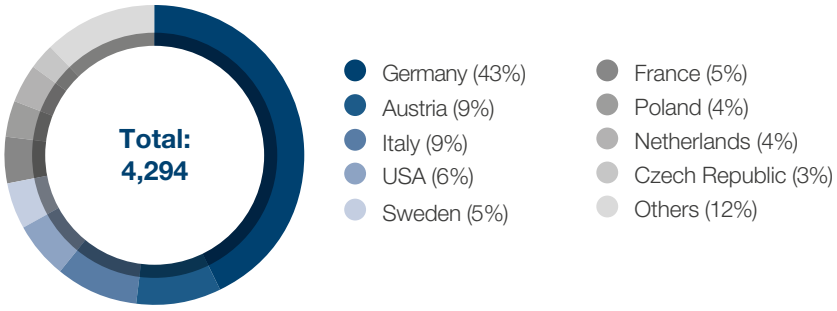
At year-end 2014, CompuGroup Medical employed 4,294 persons worldwide. Compared to the previous year, this reflects an increase of 345 employees or approximately 9 percent. With regard to the development in the number of employees for the period 2008 to 2014, the average annual increase was the same, i.e. approximately 9 percent per year.

Number of employees 2008-2014



In Germany alone, which is currently the largest market, CompuGroup Medical had 1,829 employees in the 2014 financial year, representing 43 percent of the total number of employees worldwide.

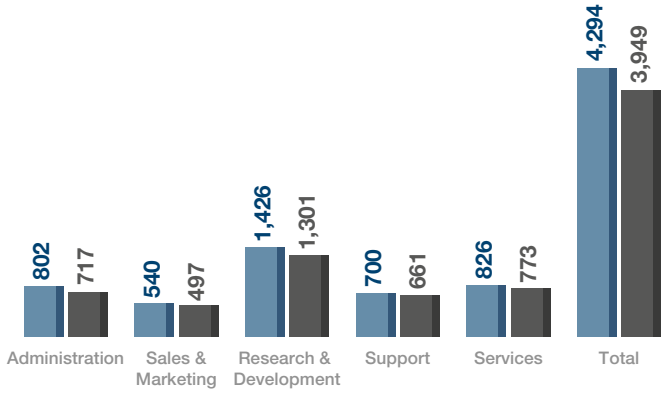
Regional employee deployment in 2014



A significant part of human resources management within the Group involves integrating new employees in the Group of companies. In 2014, the workforce grew primarily as a result of acquisitions.

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

Number of employees per area 2014/2013



Annual Financial Statements of CompuGroup Medical AG

Profit and financial position of CompuGroup Medical AG

The figures shown are based on the statutory financial statements of CGM AG.

EUR million	2014	2013
Investment income (income from investments and profit pooling less expenses and loss absorption)	65.5	36.6
Depreciation of financial assets	-11.3	-11.7
Net interest income (income from loans of financial assets and other interest and similar income less interest and similar expenses)	-13.0	-9.0
Operating income (other positions of the profit and loss account)	-23.7	-13.3
Profit from ordinary activities	17.5	2.6
Tax	-8.5	-3.8
Annual result	9.0	-1.2

As a holding company, the profitability of the CGM AG depends largely on the development of its operating subsidiaries. Compared to the previous year, an increase in investment income from EUR 28.9 million to 65.5 million was recorded.

With the exception of a slight decline in earnings in IfAp Service Institut für Ärzte und Apotheker GmbH ,all subsidiaries with a profit pooling agreement in the 2014 financial year show a positive development of the results. With Lauer-Fischer GmbH, a profit transfer agreement was completed in fiscal year with effect from January 1, 2014. CGM Systema Deutschland GmbH was in the previous year a loss absorption.

The increase in net income from profit transfers and investment income is made up as follows:

EUR million	2014	2013
CompuGroup Medical Deutschland AG	25.8	21.2
Lauer-Fischer GmbH	12.3	0.0
CompuGroup Medical Dentalsysteme GmbH	14.7	9.3
IfAp Service Institut für Ärzte und Apotheker GmbH	3.8	4.5
CGM Systema Deutschland GmbH	6.7	-0.9
Net income from profit transfers	**63.3**	**34.1**
Income from investments	2.2	2.5
Investment income	**65.5**	**36.6**

The improved result of CompuGroup Medical Dentalsysteme GmbH is based on more revenue and at the same time lower group-internal costs of goods sold.

CompuGroup Medical Deutschland AG was able to report a significantly improved profit for the year mainly due to first time dividends from the subsidiary Lauer-Fischer Apothekenservice GmbH (EUR 2.4 million) and an improved operating result (EUR 2.2 million).

The positive development of CGM Systema Deutschland GmbH is primarily caused by the previously mentioned sale of the product areas REWE and DMS.

In fiscal 2014, there was a further write-down of financial assets in the amount of EUR 11.3 million related to the impairment of internal loans to the subsidiary CompuGroup Holding USA, Inc.

The net interest income in the year under review is composed of:

EUR million	2014	2013
Interest income from loans granted	6.9	5.0
Other interest and similar income	2.2	1.9
Interest and similar expenses	-22.0	-15.9
Net interest income	-12.9	-9.0

Interest and similar expenses increased by EUR 6.1 million over the previous year. The main reasons for this are transaction costs related to the refinancing of credit facilities. We refer to the section of the net assets of CGM AG below. The transaction costs are nearly identical to the lower than forecasted amount of interest expense.

Interest income and other interest are at a similar level compared to the previous year. The interest income from loans granted was EUR 1.8 million higher than in 2013. The increase was due to higher loan volume.

The substantial decline in operating income of EUR 10.4 million to EUR 23.7 million resulted primarily from an increase in personnel costs (EUR 3.3 million) due to increased headcount and compensation adjustments, noticeable increase in other operating expenses due to provisions for onerous contracts and losses on the disposal of intangible assets of EUR 4.8 million and non-capitalized costs associated with the SAP Project 'OneGroup'. This was offset by the increase in revenue from the Group's cost allocation and cost transfers to group companies in the amount of EUR 2.8 million.

Taxes on income and earnings amount for the period to EUR 8.5 million (previous year: EUR 3.8 million). This corresponds to a tax rate of profit on ordinary activities of around 48 percent.

The control of payments is mainly done by the central accounting based in Koblenz through a cash management system. In the operating business, the capital requirements of the Group companies are normally covered by the cash-flow from operating activities. Liquid assets of the company are remunerated by short-term non-speculative placement as in previous years.

Net assets of CGM AG

With a share of about 87 percent (previous year about 86 percent), financial assets are in terms of value the most important item in the balance sheet, which is in accordance with the function as a holding company. Intangible assets consist almost entirely of capitalized expenses in connection with the Group-wide SAP implementation project 'OneGroup'.

Compared to last year, the carrying amount of financial assets increased by EUR 30.2 million to EUR 552.3 million, driven by executing the call options on 90 percent of the share capital of the KoCo Connector AG, Berlin, one of the consortium members of the gematik project (Telematic Infrastructure), in November 2014. The total increase is almost exclusively due to increases in loans to affiliated companies, comprised of the reclassification of loans receivable amounting to EUR 28.6 million at the reporting date last year against the KoCo Connector AG, Berlin/ Germany, the opposite effect of further write-downs on loans to CompuGroup Medical USA in the amount of EUR 11.3 million, and for the additional funding needed as part of the project were the gematik, KoCo Connector AG was granted a further loan of EUR 4.3 million in the reporting year. Other loans to affiliated companies are primarily to CGM Holding Coöperatief UA, Real/Netherlands, CGM Italia Holding Srl, Milan/Italy, CGM Lab International GmbH, Koblenz/Germany and CGM Lab Germany GmbH, Koblenz/Germany.

In the 2014 financial year, CompuGroup has made no share repurchases. The own shares held by the company as at date 31.12.2014 is unchanged at 3,495,731 which are presented at the balance sheet date at their notional value in a separate column from equity. The issued capital is recognized correspondingly lower. The corresponding theoretical value of the share is reported as a reserve in accordance with § 237 AktG 5 (analog).

The equity ratio for the reporting period is at 28 percent lower than the previous year (previous year: 30.6 percent). This is mainly due to the increase in total assets and withdrawals from the capital reserve to a similar extent as in the previous year to achieve the dividend volume.

In September 2014, a syndicated loan facility of EUR 400 million for a term of 5 years (until September 2019) was completed and was at the balance sheet date utilized with EUR 330 million. The previously existing facility (use previous year utilization: € 255 million) was prematurely canceled and repaid. In addition, the existing last year SEB and Commerzbank bilateral loans totaling EUR 33 million were repaid. The transaction costs incurred in connection with the refinancing is capitalized under the "Interest and similar expenses" in the position. In this same position, the receivables from affiliated companies and liabilities to affiliated companies from intercompany cash management system are also balanced.

With regard to liabilities to banks as well as comments on the interest and similar expenses we refer to the section "Results of Group operations".

Report on post-balance sheet events

Acquisition of MedEDI Pty Ltd

On 7 January 2015, the 100 percent owned subsidiary of CGM AG, CGM South Africa Pty Ltd, completed a transaction to acquire all shares in MedEDI Pty Ltd ("MedEDI"). The primary business activities of MedEDI are development, sale and support of MedEDI Practice Management Application software as well as bill switching to Medical Insurers (electronic bill transfer and associated services). The company also sells complimentary products such as Electronic Health Records to its customers. MedEDI operates from office locations in Margate (headquarter), Pretoria and Cape Town. Through this acquisition, CGM has considerably strengthened its market position in South Africa. The total turnover of MedEDI was in 2014 approximately EUR 6 million with an EBITDA of approximately EUR 2 million.

Report on expected developments

The healthcare market is in general a large and growing market, with a resilient profile relative to business cycles. For our main markets Western Europe and the United States, regional spending as a percentage of GDP is currently estimated at 17.4 percent (North America) and 10.7 percent (Western Europe). For the period 2014 to 2017 the Economist Intelligence Unit expects the specter of further economic woes and subsequent costcutting measures in Western Europe to slow annual average growth in health care spending to two percent despite the pressures of aging populations and chronic diseases. In the United States, health spending is projected to grow at an average rate six percent from 2015-2023, more than 1 percentage point faster than expected average annual growth in the GDP, according to a report from the Centers for Medicare & Medicaid Services Office.

The business model of CompuGroup Medical, with a large installed base of loyal customers, gives a relatively high degree of visibility for future revenue and earnings. The primary source of revenue is annual software maintenance and other recurring service fees from existing customers, with an expected amount of EUR 352 million at the beginning of 2015, compared to EUR 338 million in 2014. This corresponds to a 4 percent increase.

Total Group revenue is in 2015 expected to be in the range of EUR 545 million to EUR 555 million, corresponding to a growth rate of 6-8 percent. Acquisitions and divestitures completed to date are expected to give a growth contribution of EUR 18 million and organic growth is expected to be 3-4 percent.

Revenue in the HPS I segment is expected to be in the range of EUR 411 million to EUR 417 million, corresponding to a growth rate of 9-10 percent. Acquisitions completed to date are expected to give a growth contribution of approximately EUR 23 million and organic growth is expected to be 3-5 percent. AIS revenue is expected to be in the range of EUR 320 million to EUR 325 million in 2015. Acquisitions in AIS completed to date are expected to give a growth contribution of approximately EUR 13 million and organic growth is expected to be 3-5 percent. PCS revenue is expected to be in the range of EUR 91 million to EUR 92 million. Acquisitions in PCS completed to date are expected to give a growth contribution of approximately EUR 10 million and organic growth is expected to be 2-4 percent.

Revenue in the HPS II segment is expected to be in the range of EUR 73 million to EUR 75 million, corresponding to a contraction of 5-8 percent. The divestiture of the REWE/DMS product areas in Germany is expected to reduce revenue with approximately EUR 5 million in 2015 and the corresponding organic growth is expected to be around zero. The stagnant market for add-on projects for existing customers and new clients experienced during 2014 is expected to continue also in 2015.

Revenue in the HCS segment is expected to be in the range of EUR 61 million to EUR 63 million in 2015. This corresponds to 2-5 percent growth, all of which is organic growth. Revenue within Communication & Data is expected to be in the range of EUR 20 million to EUR 21 million, Workflow & Decision Support in the range of EUR 26 million to EUR 27 million and Internet Service Provider to be approximately EUR 15 million.

In terms of profitability, the investments and extra expenses carried during 2014 have created a more efficient cost base leading into the new year. Therefore, 2015 is expected to be a year of margin expansion relative to 2014 with operating margin (EBITDA margin) expected to be in the range of 21-23 percent. The corresponding EBITDA is expected to be in the range of EUR 115 million to EUR 125 million.

Depreciation of fixed assets is on Group level expected to be approximately EUR 8 million in 2015 and amortization of intangible assets is expected to be approximately EUR 34 million, of which EUR 30 million will come from amortization of purchase price allocations related to past acquisitions. The corresponding Group earnings before interest and tax (EBIT) is in 2015 expected to be in the range of EUR 73 million to EUR 83 million.

The 2015 forecast of the most important financial and non-financial KPIs of the internal management system are shown in the table below.

(EUR million)	2015 forecast	2014 outcome	Change
Sales revenue	545–555	515	30 – 40
Revenue growth (%)	6–8%	12%	-4% – 6%
Organic growth (%)	3–4%	3%	0%–1%
Recurring revenue	352	338	+14
Recurring revenue growth (%)	4%	10%	-6%
EBITDA	115–125	97	+18–28
EBITDA margin (%)	21%–23%	19%	+2%–4%
Cash Net Income	68–75	56	+12–19
Return on Capital (%)	8.5%–9.6%	6.8%	+1.7%–2.8%

Looking at the financial year 2016 and beyond, Group EBITDA and Group earnings after taxes are expected to record higher growth rates compared to revenue. As a market leader in Europe, and with a significant business in the United States, the company is ideally positioned to benefit from changes in healthcare systems all over the world with demand for software solutions and IT services less sensitive to economic climate. As such, CompuGroup Medical does not expect permanent or long-lasting deterioration of the market conditions in the future. Our strategy is based on a highly resilient business model with high margins and high proportion of recurring revenue from software maintenance and related services combined with high costs for customers to switch and technological barriers preventing competitors to enter the market.

Overall assessment (guidance)
In summary, CompuGroup Medical offers the following guidance for 2015:

- Group revenue is expected to be in the range of EUR 545 million to EUR 555 million.
- Group operating income (EBITDA) is expected to be in the range of EUR 115 million to EUR 125 million.

The foregoing outlook is given as at March 2015 and does not include revenue and costs associated with potential and currently undetermined further acquisitions during 2015. The outlook for 2015 represents management's best estimate of the market conditions that will exist in 2015 and how the business segments of CompuGroup Medical will perform in this environment.

Guidance for CompuGroup Medical AG
Investment income is expected to develop in line with the planned positive growth in the Group. Net interest income is expected to remain at the 2014 level. The Company therefore expects a pre-tax profit from ordinary activities between EUR 20 million and EUR 30 million for the local GAAP (HGB) financial statements for 2015. For 2016, no significant changes are expected.

Risk Report

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

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

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

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

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

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

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

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

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

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

For the period from 1 January 2014 to 31 December 2014 the risks within the eight areas were reported to the Management Board. According to the quantity of the reported risks, the following ranking shows the risk areas in order of importance for the Group:

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

The numbers in parenthesis show the importance ranking of the risk areas for 2013. Although there were some changes in individual ranking, the overall importance of the different risk areas changed only marginally in 2014 and the risk picture is stable.

The risk areas apply to all operating segments and the Group does not report or differentiate the risk picture between the segments. All segments essentially operate in the same macro environment and markets (exclusively in healthcare) and the nature of products and services are also fundamentally the same (based on software and related services).

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

Strategic risks
This risk area includes risks which can endanger the target achievement due to an insufficient orientation of the Company to the respective market environment. The analysis of expected potential annual loss for all identified strategic risks is approximately EUR 7 million (previous year: EUR 6 million). The potential annual maximum damage within this category inside a 95 percent confidence interval amounts to approximately EUR 23 million (previous year: EUR 18 million), with a 5 percent probability that there may be a higher, unexpected damage.

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

- Essential for CompuGroup Medical are risks associated with changes in the healthcare market. This mainly concerns the development of new products and services by competitors, the financing of health care systems and reimbursement in the health care sector.
- The e-health market is characterized by rapidly changing technologies, the introduction of new industry standards and new software introductions and new functionalities. This can lead to existing products and services becoming obsolete and therefore losing their competitiveness.
- Regulatory changes or the introduction of new industry standards, could affect the market positioning of CompuGroup Medical to the extent that the offered products and services no longer completely adhere to these new statutory requirements or industry standards.

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

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

Operational risks
This risk area includes risks associated with research and development, markets and customers. The analysis of expected potential annual loss for all identified operational risks is approximately EUR 6 million (previous year: EUR 7 million). The potential annual maximum damage within this category inside a 95 percent confidence interval amounts to approximately EUR 23 million (previous year: EUR 25 million), with a 5 percent probability that there may be a higher, unexpected damage.

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

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

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

Financial risks
This risk area includes risks associated with liquidity and refinancing risks, currency risks, acquisition risks and control risks. The analysis of expected potential annual loss for all identified financial risks is approximately EUR 5 million (previous year: EUR 3 million). The potential annual maximum damage within this category inside a 95 percent confidence interval amounts to approximately EUR 19 million (previous year: EUR 14 million), with a 5 percent probability that there may be a higher, unexpected damage.

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

The syndicated loan (EUR 400 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 no other credit lines (with a combined EUR 23.2 million limit) that are used for covering its short and medium-term liquidity requirements from operating activities and for expenses resulting from the Group restructuring measures, so as to provide additional capital if and when required.

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

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

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

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

Essentially, CompuGroup Medical considered changes in interest rates as the primary market risk. The risk management strategy therefore aims to balance out all relevant fair value and cash flow risks. Keeping in mind that most of the long-term financial liabilities of the Company are closed on the basis of variable interest rates, an interest rate risk occurs, especially for cash flows. To hedge this risk, the Company intends in 2015 to enter into an interest cap to hedge the existing syndicated loan facility.

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

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

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

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

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

Tax risks

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

Regulatory risks

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

Risks related to law and politics

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

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

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

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

Macroeconomic and political risks

This risk area includes risks arising from political changes and the influence of macroeconomic developments. The analysis of expected potential annual loss for all identified macroeconomic risks is approximately EUR 3 million (previous year: EUR 3 million). The potential annual maximum damage within this category inside a 95 percent confidence interval amounts to approximately EUR 10 million (previous year: EUR 12 million), with a 5 percent probability that there may be a higher, unexpected damage.

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

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

Personnel risks
This risk area includes risks arising from the concentration of business-relevant expertise to individual employees, staff turnover, staff over-and-under utilization, poor working environment, etc. The analysis of expected potential annual loss for all identified risks in this area is approximately EUR 2 million (previous year: EUR 2 million). The potential annual maximum damage within this category inside a 95 percent confidence interval amounts to approximately EUR 8 million (previous year: EUR 9 million), with a 5 percent probability that there may be a higher, unexpected damage.

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

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

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

Risk from project business
This risk area includes risks arising from non-compliance with agreed timelines, missing or inadequate staff resources, lack of or inadequate material resources, lack of customer acceptance of the project deliverables etc. The analysis of expected potential annual loss for all identified risks in this area is approximately EUR 1 million (previous year: EUR 2 million). The potential annual maximum damage within this category inside a 95 percent confidence interval amounts to approximately EUR 5 million (previous year: EUR 8 million), with a 5 percent probability that there may be a higher, unexpected damage.

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

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

Data processing risks
This risk area includes risks arising from a lack of coordination and alignment of IT strategy with corporate objectives, insufficient data in IT systems, inadequate documentation, etc. The analysis of expected potential annual loss for all identified risks in this area is approximately EUR 1 million (previous year: EUR 1 million). The potential annual maximum damage within this category inside a 95 percent confidence interval amounts to approximately EUR 5 million (previous year: EUR 5 million), with a 5 percent probability that there may be a higher, unexpected damage.

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

Representation of the overall risk position
Adding all risk areas together, the level of potentially expected total annual loss for the Group is EUR 27 million (previous year: EUR 28 million). The potential annual peak damage at Group level within a 95 percent confidence interval is EUR 108 million (previous year: EUR 109 million), with a 5 percent probability that there may be a higher, unexpected damage.

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

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

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

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

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

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

Report on opportunities

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

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

Operative opportunities

Technological leadership and innovation

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

G3 technology

CGM’s product strategy is based on a strategic R&D program named ‘G3’. The goal with G3 is a common technology for all markets and segments. The architecture of G3 is based on a high degree of service-orientation and flexibility and the product is fully ready for SaaS offerings, including the ability also to power mobile applications, and can be deployed in almost any provider setting from single clinic use to regional and even national solutions. In 2014, important milestones were reached with G3 hospital modules successfully installed in three different countries: Germany, Switzerland and Austria. The first pilot customers were also installed in office-based practices in Germany. Going forward, CGM expects to increase its competitive advantages based on G3 technology.

Organizational and process-related improvements

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

Strategic opportunities

Leading market position for Ambulatory Information Systems (AIS)

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

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

Telematic Infrastructure in Germany

The Telematic Infrastructure is a long-term growth opportunity for CGM and the pilot project delivered in 2014 and 2015 is only the first stage in a transformation to a significantly higher revenue opportunity for CGM. With a potential full rollout CGM has the opportunity to sell new eGK-compliant online access products to all existing customers in Germany: ~44,200 doctors' offices (69,400 doctors), ~15,000 dentists offices (19,800 dentists), ~4,000 pharmacies (8,000 pharmacists), ~100 hospitals, ~300 rehabilitation centers and ~550 social care institutions. Even more important; the Telematik Infrastructure fits perfectly with CGMs strategy to provide more products and services to its customers, such as eServices, ePrescriptions, eLabOrder, physician networks, online clinical pathways, hosting services etc.

Consumer Engagement

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

Software Assisted Medicine

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

Financial opportunities

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

Opportunities related to law and politics

The demand for IT solutions is universal across all healthcare systems in Western industrial countries given the same challenges being faced of aging populations and increasing treatment costs. Accordingly, CGM's business model is transferable to many different international markets, particularly given its long-standing experience. As a result of this, CGM has been able to increase its geographical diversity and currently is present with offices in 19 countries and installations in 46 countries world-wide.

Personnel opportunities

Successful and experienced management team

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

Attractive employer

The strong motivation, skills and creativity of our employees are the main sources of our success. Therefore, a sound education and the regular development of each individual are critical factors for our future. In 2014, CGM employed 74 trainees in Germany in areas ranging from office assistants to IT-specialist. Two thirds of all apprentices in 2014 were given a job offer from CGM after successful completion of final exams. The staff development concept of CGM includes seminars, language courses, on-the-job training and a modular development program for young professionals. A good balance between work and private life is a crucial basis for employee satisfaction and performance – to the benefit of employees and the company. With a daycare center being operated at the office campus in Koblenz CGM is actively promoting the reconciliation of work and family. In this center, up to 32 children are cared for by experienced educators since 2009.

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

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

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

Takeover-related disclosures
Information Pursuant to Section 315 (4) Commercial Code

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

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

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

Two effectively separate concluded pooling agreements, first between Frank Gotthardt, GT1 Vermögensverwaltung GmbH, Dr. Brigitte Gotthardt and Dr. Daniel Gotthardt, and secondly between GT1 Vermögensverwaltung GmbH and Dr. Reinhard Koop, result in the attribution of 11,933,236 shares to the share pool, reflecting 24.00 percent of shares with voting rights. The purpose of both pooling agreements is, among other things, to safeguard a consistent exercise of voting rights with respect to the shares of CompuGroup Medical AG. Frank Gotthardt as well as GT1 Vermögensverwaltung GmbH hold additional shares which are not attributable to the share pool. Due to the high probability of a consistent exercise of the voting rights according to the terms of the share pool, a proportion of voting rights of 54.13 percent can be assumed.

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

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

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

Nature of voting-right controls in the event of employee participations
The Management Board is not aware of any Company employees holding interests in the Company in some manner in which they do not exercise their control rights directly for themselves.

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

Powers of the Management Board for issuance and repurchase of shares

Authorized capital

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

According to the resolution of the Annual General Meeting of 9 May 2012, the Management Board was given the authorization to issue convertible bonds (and similar instruments) and corresponding conditional capital. The authorization is limited to a volume of EUR 500 million.

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

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

According to the resolution of the Annual General Meeting of 9 May 2012, the Management Board of CompuGroup Medical AG was authorized, with the consent of the Supervisory Board, to issue registered or bearer convertible bonds, bonds with warrants, profit participation certificates or profit participation bonds (or combinations of these instruments) (hereinafter referred to collectively as "Bonds") amounting to a total principal amount of up to EUR 500 million on one or more occasions up to and including 8 May 2017, to grant bearers or rather creditors (hereinafter referred to collectively as "Bearers") of the Bonds conversion rights and warrants on Company shares with a proportionate share in equity capital of up to EUR 26,609,675.00 in accordance with the terms and conditions of the Bonds (hereinafter also referred to as "Bond Terms and Conditions") and to place conversion and warrant obligations on these Bonds. The Bonds, conversion rights, warrants and conversion and warrant obligations may be issued with no maturity limitations. The Bonds can also be issued in return for a contribution in kind. The Bonds can be issued in euros and in the official currency of an OECD member country, provided that the corresponding euro equivalent is not exceeded.

(2) Granting or exclusion of subscription rights

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

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

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

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

(3) Conversion right

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

(4) Warrant

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

(5) Conversion and warrant obligation

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

(6) Conversion/warrant price, prevention of dilutive effects

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

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

(7) Further options

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

(8) Authorization to stipulate further terms and conditions for bonds

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

Creation of new conditional equity

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

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

In accordance with the resolution of the Annual General Meeting of 9 May 2012, the Management Board of CompuGroup Medical AG is authorized to stipulate further terms and conditions of the conditional increase of equity.

Amendment to the articles of association

On the basis of the resolution of the Annual General Meeting from 9 May 2012, Section 4 (6) was added to the Company's articles of association: "Equity is increased by up to EUR 26,609,675.00 (in words: twenty-six million six hundred and nine thousand six hundred and seventy-five euros) through the issue of up to 26,609,675 new bearer shares with dividend entitlement from the start of the financial year of their issuance (conditional equity 2012). The conditional equity increase is only performed to the extent to which bearers or creditors of convertible bonds, bonds with warrants, profit participation certificates or profit participation bonds exercise their conversion rights or warrants on the basis of Bonds the Company issues in return for cash up to and including 8 May 2017 as a result of the authorization resolution of the Annual General Meeting from 9 May 2012 or to the extent to which conversion or warrant obligations are met on the basis of such bonds and provided that no other forms of fulfilment are used to service these rights."

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

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

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

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

Share Repurchase Programs

Within the scope of its share repurchase program started on 09 July 2012, which authorized the purchase of up to 1,000,000 own shares, CGM AG did not acquire any own shares in the reporting period.

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

Corporate Governance declaration

The Corporate Governance declaration pursuant to § 289a HGB is published on the company's website at http://www.cgm.com. It includes the declaration in accordance with § 161 AktG and details on key corporate governance practices and operation of management and supervisory board.

Remuneration system

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

Compensation of the Management Board

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

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

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

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

On 30 January 2013, the Supervisory Board of CompuGroup Medical AG appointed Frank Gotthardt for a new four and a half year term as CEO, starting 1 July 2013 and ending 31 December 2017. In addition to an annual fixed salary of EUR 660,000, Mr. Frank Gotthardt is entitled to a performance related remuneration depending on the average EBITA and average organic growth rate in the fiscal year and the following two years. Because the contract term is limited to the end of 2017, the period of averaging is reduced from fiscal year 2016. In the last year of his term (fiscal year 2017), the amount of the bonus depends also on the level of recurring revenues, which must be higher in fiscal year 2018 than in fiscal 2017. Otherwise, the bonus for the fiscal year 2017 is educed proportionally. Should Mr. Frank Gotthardt during the contract period die or become permanently incapacitated, the fixed annual salary and the variable portion of compensation for a period of three months will be paid (death benefits to beneficiaries).

On 14 December 2011, the Supervisory Board of CompuGroup Medical AG appointed Christian B. Teig for a second four year term as CFO, starting 1 October 2012 and ending 30 September 2016. In addition to an annual fixed salary of EUR 300,000, Christian B. Teig has been granted a results dependent compensation of up to EUR 300,000 per year, composed of two equal components each with a maximum of EUR 150,000 per year. The first performance-based remuneration component depends on the achievement of individually defined goals for each annual fiscal year. The second performance-based compensation component is measured by the average EBITA and average organic growth in the financial year and the previous period. As fringe benefit, Christian B. Teig is also entitled to a company car with a net purchase price up to EUR 120,000. Should Christian B. Teig during the contract period become permanently disabled, the service contract is terminated six months after determination of incapacity. In the event of termination by the Company, Mr. Christian B. Teig receives a severance payment in the amount of up to EUR 1,200,000 or the amount of the total compensation that would be payable for the remaining term of the employment contract after the early termination. The service contract also includes a change of control clause (section “Information required by § 315 Section 4 of the German Commercial Code”). In the event of a change of control, Christian B. Teig has the right to cancel his contract within one month to the end of the month and the aforementioned severance payment shall be paid in full.

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

Management board compensation tables

	Frank Gotthardt CEO Joined Management Board: 29.09.1993					
	Benefits granted (EUR)				Inflows	
	2013	2014	2014 (min.)	2014 (max.)	2013	2014
Fixed compensation	630,000	660,000	660,000	660,000	630,000	660,000
Fringe benefits	1,300	1,300	1,300	1,300	1,300	1,300
Total	**631,300**	**661,300**	**661,300**	**661,300**	**631,300**	**661,300**
One-year variable compensation	663,000	0	0	663,000	1,575,000	662,790
Multi-year variable compensation						
Long-term incentive (01.10.12-30.09.16)	717,000	1,364,000	0	–	0	497,217
Other					0	0
Total	**2,011,300**	**2,025,300**	**661,300**	**1,324,300**	**2,206,300**	**1,821,307**
Service cost	0	0	0	0	0	0
Total	**2,011,300**	**2,025,300**	**661,300**	**1,324,300**	**2,206,300**	**1,821,307**

	Uwe Eibich EVP Germany, Austria, Switzerland Joined Management Board: 01.01.2007					
	Benefits granted (EUR)				Inflows	
	2013	2014	2014 (min.)	2014 (max.)	2013	2014
Fixed compensation	300,000	300,000	300,000	300,000	300,000	300,000
Fringe benefits	34,991	35,660	35,660	35,660	34,991	35,660
Total	**334,991**	**335,660**	**335,660**	**335,660**	**334,991**	**335,660**
One-year variable compensation	100,000	150,000	0	200,000	150,285	100,000
Multi-year variable compensation						
Long-term incentive (01.10.12-30.09.16)	100,000	100,000	0	100,000	42,583	50,000
Other					0	0
Total	**534,991**	**585,660**	**335,660**	**635,660**	**527,859**	**485,660**
Service cost	0	0	0	0	0	0
Total	**534,991**	**585,660**	**335,660**	**635,660**	**527,859**	**485,660**

	Christian B. Teig CFO Joined Management Board: 01.10.2008					
	Benefits granted (EUR)				Inflows	
	2013	2014	2014 (min.)	2014 (max.)	2013	2014
Fixed compensation	300,000	300,000	300,000	300,000	300,000	300,000
Fringe benefits	38,415	38,415	38,415	38,415	38,415	38,415
Total	**338,415**	**338,415**	**338,415**	**338,415**	**338,415**	**338,415**
One-year variable compensation	150,000	150,000	0	150,000	117,080	150,000
Multi-year variable compensation						
Long-term incentive (01.10.12-30.09.16)	132,750	105,000	0	150,000	0	132,750
Other					0	0
Total	**621,165**	**593,415**	**338,415**	**638,415**	**455,495**	**621,165**
Service cost	0	0	0	0	0	0
Total	**621,165**	**593,415**	**338,415**	**638,415**	**455,495**	**621,165**

Regarding the disclosure of management board compensation according §285 Nr 9a HGB und §314 Abs 1 Nr 6a HGB we refer to the notes to the consolidated financial statements.

Compensation of the Supervisory Board
There was no change in the composition and functions of the Supervisory Board in the 2014 financial year.

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

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

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

Supervisory Board compensation 2014

Name	Supervisory Board compensation EUR
Prof. Dr. Steffens, Klaus (Chairman until 14.05.2014)	25,000
Dr. Esser, Klaus (Chairman since 14.05.2014)	53,334
Dr. Flach, Ulrike (since 14.05.2014)	26,666
Dr. Gotthardt, Daniel	40,000
Prof. Dr. Hinz, Rolf	40,000
Lange, Mathias (until 14.05.2014)	16,667
Glass, Ralf (until 14.05.2014)	16,667
Wild, Lothar (since 14.05.2014)	26,666
Grüner, Karl (since 14.05.2014)	26,666
Total	**271,666**

Supervisory Board compensation 2013

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

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

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

Consolidated Statement of Financial Position
as at 31 December 2014

Assets

	Notes	31.12.14 EUR '000	31.12.2013 adjusted EUR '000
Non-current assets			
Intangible assets	(1)	517,541	486,149
Property, plant and equipment	(2)	62,054	61,224
Interests in affiliates (valued at-equity)	(3)	854	637
Other investments	(3)	140	130
Trade receivables	(6)	8,332	8,915
Other financial assets	(7)	2,789	1,831
Derivative financial instruments	(17)	0	6,056
Deferred taxes	(4)	2,442	1,764
		594,152	**566,706**
Current assets			
Inventories	(5)	5,877	4,185
Trade receivables	(6)	96,760	75,861
Other financial assets	(7)	3,635	2,723
Other non-financial assets	(8)	9,496	8,771
Income tax claims	(4)	5,133	8,547
Securities (recognized as profit or loss at fair value)	(9)	95	665
Cash and cash equivalents	(10)	21,465	23,453
		142,461	**124,205**
Assets qualified as held for sale		0	381
		142,461	**124,586**
		736,613	**691,292**

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

Equity and Liabilities

	Notes	31.12.14 EUR '000	31.12.2013 adjusted EUR '000
Equity	(11)		
Subscribed capital		53,219	53,219
Treasury shares		-20,292	-20,292
Reserves		144,922	155,842
Capital and reserves allocated to the shareholder of the parent company		**177,849**	**188,769**
Minority interests		-41	-4,102
		177,808	**184,667**
Non-Current liabilities			
Pensions	(12)	17,428	10,500
Liabilities to banks	(13)	336,437	278,108
Purchase price liabilities	(14)	3,539	2,573
Derivative financial instruments	(17)	0	7,852
Other financial liabilities	(17)	7,600	1,333
Other non-financial liabilities	(17)	3,898	3,145
Deferred taxes	(4)	49,212	47,603
		418,114	**351,114**
Current liabilities			
Liabilities to banks	(13)	19,943	43,559
Trade payables	(15)	25,439	23,076
Income tax liabilities	(4)	10,449	14,645
Provisions	(16)	30,834	24,172
Purchase price liabilities	(14)	8,987	9,394
Derivative financial instruments	(17)	4,763	0
Other financial liabilities	(17)	10,072	6,315
Other non-financial liabilities	(17)	30,204	34,147
		140,691	**155,308**
Liabilities related to assets held for sale		0	203
		140,691	**155,511**
		736,613	**691,292**

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

Consolidated Income Statement

for the reporting period of 1 January – 31 December 2014

	Notes	2014 EUR '000	2013 EUR '000
Sales revenue	(18)	515,104	459,555
Capitalized in-house services	(19)	9,202	9,651
Other income	(20)	12,721	2,512
Expenses for goods and services purchased	(21)	-99,232	-79,352
Personnel costs	(22)	-247,811	-214,941
Other expenses	(23)	-93,304	-79,649
Earnings before interest, taxes depr. and amortization (EBITDA)		**96,680**	**97,776**
Depreciation of property, plants and tangible assets	(24)	-7,809	-7,373
Earnings before interest, taxes and amortization (EBITA)		**88,871**	**90,403**
Amortization of intangible assets	(24)	-34,972	-33,575
Earnings before interest and taxes (EBIT)		**53,899**	**56,828**
Results from associates recognised at equity	(25)	19	-20
Financial income	(26)	12,981	4,318
Financial expense	(26)	-22,444	-25,918
Earnings before taxes (EBT)		**44,455**	**35,208**
Income taxes for the period	(27)	-20,339	-13,033
Results from continued operations		**24,116**	**22,175**
Profit for the period from discontinued operations		-20	-457
Consolidated net income for the period		**24,096**	**21,718**
of which: allocated to parent company		**26,337**	**23,147**
of which: allocated to minority interests		**-2,241**	**-1,429**
Earnings per share from continuing operations	(28)		
undiluted (EUR)		**0.53**	**0.48**
diluted (EUR)		**0.53**	**0.48**
Additional information:			
Cash net income (EUR)*		**55,795**	**51,663**
Cash net income* per share (EUR)		**1.12**	**1.04**

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

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

Consolidated Statement of Comprehensive Income

for the reporting period of 1 January – 31 December 2014

	Notes	2014 EUR '000	2013 EUR '000
Consolidated net income for the period		**24,096**	**21,718**
Items that will not be reclassified to profit/loss:			
Actuarial gains and losses from pensions			
Changes in actuarial gains and losses	(12)	-3,969	461
Deferred income taxes	(4)	1,082	-123
		-2,887	**338**
Items that may be reclassified to profit/loss:			
Cashflow Hedges			
of which: in equity	(11)	-1,176	129
of which: income (recycling)	(11)	9,028	4,367
Deferred income taxes	(4)	-2,356	-1,349
		5,496	**3,147**
Currency conversion differences			
of which: in equity	(11)	-11,447	-1,317
of which: income (recycling)		0	0
		-11,447	**-1,317**
		-5,951	**1,830**
Operating income and expense recognized directly in equity		**-8,838**	**2,168**
Total result of the period		**15,258**	**23,886**
of which: allocated to parent company		17,499	25,315
of which: allocated to minority interests		-2,241	-1,429

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

Changes in Consolidated Equity

for the reporting period of 1 January – 31 December 2014

	Share capital EUR '000	Treasury shares EUR '000	Reserves EUR '000	Accumulated other operating income: Cashflow hedges EUR '000	Accumulated other operating income: Currency conversion EUR '000	Equity attributable to shareholders of CGM AG EUR '000	Non-controlling interest EUR '000	Consolidated equity EUR '000
Balance as at 31.12.2012	**53,219**	**-20,903**	**161,843**	**-8,604**	**-6,176**	**179,379**	**28**	**179,407**
Group net income	**0**	**0**	**23,147**	**0**	**0**	**23,147**	**-1,429**	**21,718**
Other results								
Changes in the fair value of cashflow hedges	0	0	0	3,147	0	3,147	0	3,147
Actuarial gains and losses	0	0	338	0	0	338	0	338
Currency conversion differences	0	0	0	0	-1,317	-1,317	0	-1,317
Total result of the period	**0**	**0**	**23,485**	**3,147**	**-1,317**	**25,315**	**-1,429**	**23,886**
Transactions with shareholders								
Capital contributions	0	0	0	0	0	0	125	125
Dividend payment	0	0	-17,366	0	0	-17,366	0	-17,366
Non-controlling interests from acquisitions	0	0	0	0	0	0	199	199
Additional purchase of shares from non-controlling interests after control	0	0	-73	0	0	-73	-164	-237
Issue of treasury shares	0	611	1,389	0	0	2,000	0	2,000
	0	611	-16,050	0	0	-15,439	160	-15,279
Changes in the scope of consolidation	**0**	**0**	**-486**	**0**	**0**	**-486**	**-2,861**	**-3,347**
Balance as at 31.12.2013	**53,219**	**-20,292**	**168,792**	**-5,457**	**-7,493**	**188,769**	**-4,102**	**184,667**
Group net income	**0**	**0**	**26,337**	**0**	**0**	**26,337**	**-2,241**	**24,096**
Other results								
Changes in the fair value of cashflow hedges	0	0	0	1,335	0	1,335	0	1,335
Reversal of cashflow hedges	0	0	0	4,161	0	4,161	0	4,161
Actuarial gains and losses	0	0	-2,887	0	0	-2,887	0	-2,887
Currency conversion differences	0	0	0	0	-11,447	-11,447	0	-11,447
Total result of the period	**0**	**0**	**23,450**	**5,496**	**-11,447**	**17,499**	**-2,241**	**15,258**
Transactions with shareholders								
Capital contributions	0	0	0	0	0	0	0	0
Dividend payment	0	0	-17,403	0	0	-17,403	0	-17,403
Non-controlling interests from acquisitions	0	0	0	0	0	0	0	0
Additional purchase of shares from non-controlling interests after control	0	0	-11,127	0	0	-11,127	6,430	-4,697
Issue of treasury shares	0	0	0	0	0	0	0	0
	0	**0**	**-28,530**	**0**	**0**	**-28,530**	**6,430**	**-22,100**
Other changes (Previous year: Changes in scope of consolidation)	**0**	**0**	**190**	**-39**	**-40**	**111**	**-128**	**-17**
Balance as at 31.12.2014	**53,219**	**-20,292**	**163,902**	**0**	**-18,980**	**177,849**	**-41**	**177,808**

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

Cash Flow Statement
as at 31 December 2014

	Notes	2014 EUR '000	2013 adjusted EUR '000
Group net income		24,096	21,718
Amortization of intangible assets, plant and equipment	(25)	42,781	40,948
Earnings on sales of fixed assets	(20)	-8,500	-56
Change in provisions (including income tax liabilities)		-1,661	-5,284
Change in deferred taxes	(28)	-2,141	-7,033
Other non-cash earnings/expenditures		-6,765	8,593
		47,810	**58,886**
Change in inventories	(5)	-685	-266
Change in trade receivables	(6)	-7,054	22
Change in income tax receivables		2,121	-4,407
Change in other assets		-2,379	2,538
Change in trade payables		-3,070	1,619
Change in other liabilities		-4,803	-6,061
Cash flow from operating activities		**31,940**	**52,331**
Cash inflow from disposals of intangible assets		132	133
Cash outflow for capital expenditure in intangible assets		-16,844	-16,506
Cash inflow from disposals of sales of property, plant and equipment		523	514
Cash outflow for capital expenditure in property, plant and equipment		-8,081	-7,540
Cash inflow from disposals of business units		9,000	0
Net cash outflow for acquisitions (less acquired cash and cash equivalents)		-40,649	-34,583
Cash outflow for acquisition in prior periods	(15)	-1,352	-22,411
Cash flow from investing activities		**-57,271**	**-80,393**
Dividends paid	(11)	-17,403	-17,366
Capital contributions from non-controlling interests	(11)	0	125
Purchase of minority interest	(11)	-280	-237
Cash inflow from assumption of loans	(13)	343,249	94,644
Cash outflow from the repayment of loans	(13)	-302,447	-44,128
Cash flow from financing activities		**23,119**	**33,038**
Cash and cash equivalents at the beginning of the period	(10)	23,453	18,953
Change in cash and cash equivalents		**-2,212**	**4,976**
Change in cash and cash equivalents due to exchange rate fluctuations		224	-476
Cash and cash equivalents at the end of the period	(10)	**21,465**	**23,453**
Interest paid		19,070	14,505
Interest received		732	402
Income tax paid		23,463	30,048

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

Consolidated Notes
for the 2014 Financial Year

A. General disclosures

a) Company information

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

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

HPS I: Development and sale of software solutions for physicians and dentists in their practices as well as for pharmacies and laboratories.

HPS II: Development and sale of software solutions for hospitals.

HCS: Networking service providers (physicians, dentists, hospitals, and pharmacies) with other important market participants in the healthcare sector, such as sponsors, pharmaceutical companies and research institutes. In addition, an Internet Provider Service is offered to physicians and other participants in healthcare.

b) Reporting principles and fundamental principles

These consolidated financial statements combine the financial statements of CompuGroup Medical AG and its subsidiaries (also referred to in the following as the "Company" or "CGM Group"). As in the prior year, the consolidated financial statements as of 31 December 2014 of CGM Group were 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 (IFRS IC) – previously the Standing Interpretations Committee (SIC) – as applicable in the EU. The application of individual standards is described in the comments on the individual items in the consolidated financial statement.

The commercial regulations to be applied pursuant to Section 315a HGB were also observed. The consolidated financial statements for 2014 were prepared by the Management Board and will be examined by the audit committee on 19 March 2015. They are expected be examined, approved and cleared for publication by the Supervisory Board at its meeting on 19 March 2015.

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

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

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

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

In the 2014 reporting period, hourly rates needed to determine the in-house service software for development expenses for Austrian and Polish subsidiaries were adjusted to take into account changes in the cost structure, resulting in a positive effect on the capitalization of in-house service software of EUR 746 thousand.

The previous year's figures were adjusted as follows due to the retrospective first-time application of IFRS 10 and the associated retroactive inclusion of the Imagine Group:

Assets	31.12.2013 EUR '000	IFRS 10 adjustments Imagine-Group	31.12.2013 adjusted EUR '000
Non-current assets			
Intangible assets	461,311	24,838	486,149
Property, plant and equipment	60,968	256	61,224
Interests in affiliates (valued as equity)	637	0	637
Other Investments	130	0	130
Trade receivables	8,915	0	8,915
Other financial assets	1,831	0	1,831
Derivative financial instruments	6,056	0	6,056
Deferred taxes	1,764	0	1,764
	541,612	**25,094**	**566,706**
Current assets			
Inventories	4,166	19	4,185
Trade receivables	74,975	886	75,861
Other financial assets	2,723	0	2,723
Other non-financial assets	28,357	-19,586	8,771
Income tax claims	8,396	151	8,547
Securities (recognized as profit or loss at fair value)	165	500	665
Cash and cash equivalents	23,339	114	23,453
	142,121	**-17,916**	**124,205**
Assets classified as held for sale	381	0	381
	142,502	**-17,916**	**124,586**
	684,114	**7,178**	**691,292**

Shareholder Equity and Liabilities	31.12.2013 EUR '000	IFRS 10 adjustments Imagine-Group	31.12.2013 adjusted EUR '000
Shareholder Equity			
Subscribed capital	53,219	0	53,219
Treasury shares	-20,292	0	-20,292
Reserves	155,842	0	155,842
Capital and reserves allocated to the shareholder of the parent company	**188,769**	**0**	**188,769**
Minority interests	-4,102	0	-4,102
	184,667	**0**	**184,667**
Long-term liabilities			
Pension provision	10,278	222	10,500
Liabilities to banks	278,108	0	278,108
Purchase price liabilities	2,573	0	2,573
Derivative financial instruments	7,852	0	7,852
Other financial liabilities	1,333	0	1,333
Other non-financial liabilities	2,979	166	3,145
Deferred taxes	42,497	5,106	47,603
	345,620	**5,494**	**351,114**
Current liabilities			
Liabilities to banks	43,514	45	43,559
Trade payables	22,902	174	23,076
Income tax liabilities	14,611	34	14,645
Provisions	23,269	903	24,172
Purchase price liabilities	9,394	0	9,394
Derivative financial instruments	0	0	0
Other financial liabilities	6,050	265	6,315
Other non-financial liabilities	33,884	263	34,147
	153,624	**1,684**	**155,308**
Liabilities of disposal group classified as held for sale	203	0	203
	153,827	**1,684**	**155,511**
	684,114	**7,178**	**691,292**

Cash Flow Statement	2013 EUR '000	IFRS 10 adjustments Imagine-Group	2013 adjusted EUR '000
Group net income	21,718	0	21,718
Amortization of intangible assets, plant and equipment	40,948	0	40,948
Earnings on sales of fixed assets	-56	0	-56
Change in provisions (including income tax liabilities)	-5,284	0	-5,284
Change in deferred taxes	-7,033	0	-7,033
Other non-cash earnings/expenditures	8,593	0	8,593
	58,886	**0**	**58,886**
Change in inventories	-266	0	-266
Change in trade receivables	22	0	22
Change in income tax receivables	-4,407	0	-4,407
Change in other receivables	2,538	0	2,538
Change in trade accounts payables	1,619	0	1,619
Change on other liabilities	-6,061	0	-6,061
Cash flow from operating activities	**52,331**	**0**	**52,331**
Cash inflow from disposals of intangible assets	133	0	133
Cash outflow for capital expenditure in intangible assets	-16,506	0	-16,506
Cash inflow from disposals of sales of property, plant and equipment	514	0	514
Cash outflow for capital expenditure in property, plant and equipment	-7,540	0	-7,540
Cash outflow for acquisitions less acquired cash	-16,697	-17,886	-34,583
Cash outflow for the acquisition in prior periods	-22,411	0	-22,411
Cash outflow for prepayments to purchase companies	-18,000	18,000	0
Cash flow from investing activities	**-80,507**	**114**	**-80,393**
Dividends paid	-17,366	0	-17,366
Capital contributions from Non-controlling interests	125	0	125
Purchase of minority interest	-237	0	-237
Cash inflow from assumption of loans	94,644	0	94,644
Cash outflow from the repayment of loans	-44,128	0	-44,128
Cash flow from financing activities	**33,038**	**0**	**33,038**
Cash and cash equivalents at the beginning of the period	18,953	0	18,953
Change in cash and cash equivalents	**4,862**	**114**	**4,976**
Changes in cash and cash equivalents due to exchange rate fluctuations	-476	0	-476
Cash and cash equivalents at the end of the period	**23,339**	**114**	**23,453**
Interest paid	14,505	0	14,505
Interest received	402	0	402
Income tax paid	30,048	0	30,048

EUR '000	Imagine-Group, France
Acquired assets and liabilities assumed, recognized at acquisition date	16.12.2013
Voting rights acquired in %	100
Non-current assets	**15,576**
Software	2,261
Customer relationships	12,395
Brands	665
Order backlog	0
Property and buildings	0
Other fixed assets and office equipment	255
Other non-current financial assets	0
Other non-current non-financial assets	0
Deferred tax assets	0
Current assets	**2,085**
Inventories	19
Trade receivables	886
Other current financial assets	501
Other current non-financial assets	414
Other assets	151
Cash and cash equivalents	114
Non-current liabilities	**5,494**
Pensions	222
Other provisions	0
Liabilities to banks	0
Other financial liabilities	0
Other non-financial liabilities	0
Other liabilities	166
Deferred tax	5,107
Current liabilities	**1,684**
Trade payables	174
Contingent liabilities	0
Liabilities to banks	45
Other liabilities	937
Other financial liabilities	265
Other non-financial liabilities	263
Net assets acquired	**10,483**
Purchase price paid in cash	18,000
Liabilities assumed	0
of which contingent consideration	0
Issued equity instruments	2,000
Total consideration transferred	**20,000**

EUR '000	Imagine-Group, France
Non-controlling interests	0
Goodwill	**9,517**
Acquired cash and cash equivalents	114
Purchase price paid in cash	18,000
Prepayments on acquisitions	0
Payments for acquisitions after date of acquisition	0
Cash outflow for acquisitions (net)	**-17,886**
Effects of the acquisition on Group result	
Sales revenue following date of acquisition	8,371
Result following date of acquisition	-212
Sales revenue in 2014 (hypothetical date of acquisition 1 January 2014)	8,371
Result 2014 (hypothetical date of acquisition 1 January 2014)	-212
Costs attributable to the acquisition	**130**

Acquisition of Imagine Group, France

Imagine Group offers the software "HelloDoc", one of the best-recognized software products for French general practitioners, paediatricians and dentists. The software is currently used by approximately 20,000 physicians. In addition to the HelloDoc software, the Imagine Group offers data and Tele-secretary services to healthcare professionals. In the 2013 financial year, the Imagine Group generated revenue of EUR 7,706 thousand and EBITDA of EUR 888 thousand. The Imagine Group had 110 employees at the time of acquisition. The purchase price totaled EUR 20,000 thousand, of which EUR 18,000 thousand was paid in cash and EUR 2,000 thousand in treasury shares.

From this acquisition, CGM Group expects to significantly expand its business in France by offering the software products of Imagine Group and other value-added services. Synergies are expected to be realized by gaining know-how and realizing cost efficiencies (e.g. within hotline and sales partner network). The goodwill value of EUR 9,517 thousand results especially from the synergies within the Group as a result of the inclusion of the Imagine Group into the Group. No recognized goodwill will be deductible for tax purposes. The fair value of the acquired intangible assets amounted to EUR 15,321 thousand.

The receivables and payables associated with the acquisition, which essentially consist of trade receivables and payables, are balanced at book values at the date of acquisition of control, which corresponds to fair value based on the expected collection period and the best estimate of access to contractual cash flows. Uncollectible receivables were not identified at the time of initial recognition. There were no contingent liabilities or contingent assets identified as part of the initial accounting.

The provisional fair values of pension liabilities or similar liabilities at the acquisition date amounts to EUR 221 thousand.

Deferred tax liabilities of EUR 5,107 thousand were applied to the fair value of the acquired intangible assets excluding goodwill. There were no contingent liabilities as at the time of acquisition.

The disclosures for the acquisition of Imagine Group as at 31 December 2014 were carried out in final form.

B. Principle accounting and measurement methods

a) Principles for the preparation of the consolidated financial statements

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

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

Fair value is the amount that would be paid for an asset or paid to transfer a liability between market participants at the measurement date. This applies irrespective of whether the amount is directly observed on the market or estimated on the basis of a best possible measurement method.

When measuring the fair value of an asset or a liability, the Group takes into account certain characteristics of the asset or the liability, such as the condition and location of the asset or restrictions on the sale of use of the asset, provided that the market participants also took these characteristics into account when determining the purchase price of an asset or the transfer of a liability as at the balance sheet date. In these consolidated financial statements, the fair value to be applied for the measurement and/or disclosure requirements is generally determined on the basis of the previously-described principles. The only exceptions are:

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

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

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

b) New and revised standards, interpretations and amendments to published standards applied for the first time in 2014
The methods of accounting and evaluation applied correspond in principle to those used in the previous year. For new IFRS standards applicable for the first time in the 2014 financial year, the effects on CGM Group's accounting and evaluation methods are outlined below:

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

IFRS 10 – Consolidated Financial Statements

In May 2011, the IASB published its 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 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 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.

Control pursuant to IFRS 10 applies if the following three conditions have been cumulatively fulfilled:

(1) An entity has power over the associate;
(2) Variable returns result from the investment; and
(3) The power over the associate means that the entity can affect the extent of the returns.

Until now, control was defined as having the ability to determine the financial and business policy of an entity, thereby deriving economic benefit. IFRS 10 contains additional guidelines demonstrating when an entity can exercise control over an associate.

The EU adoption ordinance ("endorsement") was published on 29 December 2012 in the Official Journal of the EU. IFRS 10 entered into force for financial years beginning on or after 1 January 2014. CGM Group management has reviewed and made an assessment of the impact of the initial adoption of IFRS 10 on 1 January 2014. concludes as a result of the review that the purchase of 100 percent of the shares of Imagine Editions SAS and Imagine Assistance S.a.r.l., France, with signing and payment on 16 December 2013 and closing on 16 January 2014, triggers an immediate control at the time of contract signing as a result of the seller's contractual restrictions (IFRS 10.B 24) due to the first-time application of IFRS 10. Consequently, the consolidation of the acquired businesses would begin on 16 December 2013. The effects are described in A. b).

The initial disclosures for the acquisition of Imagine Group as at 31 December 2014 were carried out in final form.

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. The classification of a joint arrangement as a joint operation or a joint venture depends upon the rights and obligations of the parties to the arrangement. Both the structure and legal form of the arrangement and the contractual terms and conditions specified by the parties to the arrangement as well as any other relevant facts and circumstances must be taken into account. 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. A joint arrangement applies when two or more entities reach an agreement whereby they have direct rights to the assets and obligations for the liabilities. A joint venture is defined as a joint arrangement whereby the parties that have joint control have rights to the net assets of the entity in which they hold a participation. The previous version of IAS 31 included three types of joint ventures: jointly controlled entities, jointly controlled operations and jointly controlled assets. The classification of joint ventures pursuant to IAS 31 is largely based on the legal form of the arrangement.

Pursuant to IFRS 11, parties that have joint control must account for their investment using the equity method. The previous option of the proportionate consolidation of jointly controlled entities has been eliminated. When accounting for jointly controlled operations, the parties that have joint control are required to recognize the assets, liabilities, income and expenses in relation to its share in the arrangement (including its respective share of the jointly incurred assets, liabilities, income from the sale of products or services, and expenses).

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

The EU adoption ordinance ("endorsement") was published on 29 December 2012 in the Official Journal of the EU. IFRS 11 entered into force for financial years beginning on or after 1 January 2014. The management of CGM Group re-examined the classification of the Group's investments in joint arrangement taking into account the provisions of IFRS 11.

This examination did not reveal any effects of the first-time application of IFRS 11 on the consolidated financial statements of CGM.

IFRS 12 – Disclosure of Interests in Other Entities

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

The EU adoption ordinance ("endorsement") was published on 29 December 2012 in the Official Journal of the EU. IFRS 12 entered into force for financial years beginning on or after 1 January 2014.

This resulted in more extensive disclosure requirements in CGM's consolidated financial statements.

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

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

It was also stipulated that when the new consolidation rules are applied for the first time, comparable information is only mandatory for disclosures required under IFRS 12 in connection with subsidiaries, associates and joint ventures for immediately preceding comparable periods. The obligation to provide comparative information in unconsolidated structured companies for periods prior to the initial application of IFRS 12 is omitted.

The EU adoption of the rules ordinance ("endorsement") was published on 5 April 2014 in the Official Journal of the EU.

The amendments to IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements" and IFRS 12 "Disclosure of Interests in Other Entities" had no effect on the consolidated financial statements of CGM Group.

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

With the amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosure of Interests in Other Entities" and IAS 27 "Separate Financial Statements" published in October 2012, investment companies, as defined by IFRS 10, will in future be exempt from the requirement to consolidate subsidiaries controlled by them in consolidated financial statements. Instead, they value investments held for investment purposes at fair value. In addition, new disclosure requirements for investment companies are required.

The EU adoption ordinance ("endorsement") was published on 21 November 2013 in the Official Journal of the EU.

The amendments have no relevance to CGM Group as the company does not meet the definition of an investment company.

Revised IAS 27 – Separate Financial Statements

IAS 27 (amended 2011) now only contains requirements relating to separate financial statements as a result of the issuance of the new standard IFRS 10.

The EU adoption ordinance ("endorsement") was published on 29 December 2012 in the Official Journal of the EU.

The amendment has no effect on the consolidated financial statements.

Revised IAS 28 – Investments in Associates and Joint Ventures

IAS 28 (amended 2011) contains provisions on jointly controlled entities and associates measured at equity following the publication of IFRS 11. The EU adoption ordinance ("endorsement") was published on 29 December 2012 in the Official Journal of the EU.

Based upon current assessments, no changes to the consolidated financial statements of CGM Group result from the first-time application of this requirement.

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

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

The EU adoption ordinance ("endorsement") was published on 29 December 2012 in the Official Journal of the EU. The amendments to IAS 32 entered into force for financial years beginning on or after 1 January 2014.

The management of CGM Group has come to the conclusion that there are no indications of any effects on the consolidated financial statements of CGM Group.

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

The amendment to standard "Recoverable Amount Disclosures for Non-financial Assets" published by the IASB contains adjustments to IAS 36. The amendments result in a correction to the disclosure requirements to IAS 36 added by IFRS 13. These added disclosure requirements mean that the recoverable value of all cash-generating units (or groups of units) should be indicated if these are assigned significant goodwill or significant indefinite intangible assets. In its correction, the IASB limits the disclosure requirements to cash-generating units (or groups of units) for which an impairment or reversed impairment was recognized in the current financial year. The amendment also adds new disclosure obligations. These need to be made if an impairment or a reversed impairment is applied to an asset or a cash-generating unit and the recoverable amount was determined on the basis of the fair value less disposal costs.

The EU adoption ordinance ("endorsement") was published on 20 December 2014 in the Official Journal of the EU. The amendments to IAS 36 are to be applied retrospectively, however, only to periods in which IFRS 13 is applied, which at CGM will only apply to financial year 2013 onwards.

The management of CGM Group expects that effects from the amendment to IAS 36 will only arise for the IAS 36 note disclosures in the event of an impairment or the reversal of an impairment.

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

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

The EU adoption ordinance ("endorsement") was published on 20 December 2014 in the Official Journal of the EU.

The management of CGM Group does not expect the amendments to IAS 39 to have a significant influence on the consolidated financial statements of CGM as existing derivatives in the Group are not required by statute or regulations to be switched to a central counterparty.

c) Standards, interpretations and changes to published standards to be applied in 2015 or at a later date, which have already been adopted into European law ("endorsement")

The following standards and changes to standards have been adopted by the European Union. Mandatory application is planned in the future. These standards will not be applied earlier.

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

IFRIC 21 – Levies

The introduction of IFRIC 21 sees the IASB addressing the question of the accounting of public levies that do not constitute income taxes within the meaning of IAS 12 "Income Taxes". In particular, IFRIC 21, stipulates when obligations to pay such levies are to be recognized as liabilities in the financial statements. IFRIC 21 provides guidance on when to recognize a liability for a levy imposed by a government. The obligating event for the recognition of a liability is recognized as the activity that triggers the payment of the levy in accordance with the relevant legislation. Only when the obligating event takes place are levies to be recognized in the balance sheet. The obligating event can also occur successively over a period of time, meaning that the liability is to be recognized on a pro rata basis.

In the EU, IFRIC 21 enters into force for reporting periods beginning on or after 17 June 2014; however, this may be applied earlier, meaning that entities in the EU can also comply with the coming into force of the IASB (1 January 2014).

The management of CGM Group does not expect IFRIC 21 to have any effects on the consolidated financial statements as CGM Group is not currently, not will it likely in future be subject to corresponding levies.

d) Amendments, standards and interpretations published by the IASB but not yet transposed into European legislation
The IASB and the IFRIC have adopted several additional standards and interpretations in 2014 and previous years which were not yet compulsorily applicable in the 2014 financial year. The application of these IFRS and IFRIC is dependent upon recognition by the EU ("endorsement").

Standard	Content
IAS 16 and IAS 38, amendment	Clarification of Acceptable Methods of Depreciation and Amortization
IAS 16 and IAS 41, amendment	Agriculture: Bearer Plants
IAS 19	Employment Contributions to Defined Benefit Plans
IAS 27, amendment	Separate Financial Statements
IFRS 9	Financial Instruments
IFRS 10 and IAS 28, amendment	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
IFRS 11, amendment	Accounting for Acquisitions of Interests in Joint Operations
IFRS 14	Regulatory Deferral Accounts
IFRS 15	Revenue from Contracts with Customers
IFRIC 21	Levies
Various standards	Improvements to the International Financial Reporting Standards (Improvements Project 2010 – 2012)
Various standards	Improvements to the International Financial Reporting Standards (Improvements Project 2011 – 2013)
Various standards	Improvements to the International Financial Reporting Standards (Improvements Project 2013 – 2014)

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortization
The IASB published an amendment to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets" in May 2014. The amendment to IAS 16 "Property, Plant and Equipment" clarifies that revenue-based methods are not appropriate for calculating the depreciation of property, plant and equipment. The amendment to IAS 38 introduces the refutable hypothesis that revenue does not represent an appropriate basis for the amortization of intangible assets. This hypothesis can only be refuted by the following two cases:

a) When the intangible assets can be expressed as a measure for revenue.
b) When revenue and the consumption of the economic benefits are highly correlated.

The amendments should be applied to financial years beginning on or after 1 January 2016. Earlier application is permitted. Endorsement is planned for the first quarter of 2015.

The management of CGM Group expects that a straightline depreciation method best reflects the economic benefits. It is therefore not expected that the amendments to IAS 16 and IAS 38 will have any effects on the consolidated financial statements of CGM Group.

IAS 16 Property, Plant and Equipment and IAS 41 Agriculture – Agriculture: Bearer Plants
The IASB published an amendment to IAS 16 "Property, Plant and Equipment" and IAS 41 "Agriculture" in June 2014. The amendments bring bearer plants, which are used solely to grow produce, into the scope of IAS 16 so that they are accounted for in the same way as property, plant and equipment. For the purpose of bringing bearer plants from the scope of IAS 41 into the scope of IAS 16 and therefore enabling entities to measure them at cost subsequent to initial recognition or at revaluation, a definition of a bearer plant is introduced into both standards.

The amendments should be applied to financial years beginning on or after 1 January 2016. Earlier application is permitted. Endorsement is planned for the first quarter of 2015.

The business activities of CGM Group are not based on bearer plants, which is why the amendment is not expected to have any effects on the consolidated financial statements of CGM.

IAS 19 Employee Benefits – Defined Benefits Plans: Employee Contributions
In November 2013, the IASB published an adjustment to IAS 19R (2011) "Employee Benefits", which adds an option as to the accounting of defined benefit plans – in which employees (or third parties) participate in the form of mandatory contributions – to the standard.

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

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

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

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

This amendment must be applied for the first time to financial years starting on or after 1 January 2015. It may be applied earlier. However, the application for EU-companies is subject to still outstanding endorsement by the EU.

IAS 27 Equity Method in Separate Financial Statements

The amendments to IAS 27 reinstate the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements. The amendments allow an entity to account for investments in subsidiaries, joint ventures and associates in its separate financial statements:

a) At cost,
b) In accordance with IAS 39 "Financial Instruments: Recognition and Measurement",
c) Using the equity method as described in IAS 28 "Investments in Associates and Joint Ventures".

The amendments apply to reporting periods beginning on or after 1 January 2016. Early application is permitted. The amendments are to be applied retrospectively in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors". However, application by EU entities is still subject to EU endorsement, which is planned for the third quarter of 2015.

The amendments to IAS 27 will not affect the consolidated financial statements of CGM as the option relates to entities' separate financial statements.

IFRS 9 Financial Instruments

The IASB adopted the final version of IFRS 9 "Financial Instruments" on 24 July 2014. The revised version of IFRS 9 now also includes provisions relating to a new valuation category for fair value through other comprehensive income (FVOCI) as well as the impairment of financial instruments.

The adoption of the final version of IFRS 9 introduces a third valuation category for selected financial assets, whereby changes in fair value are initially recognized in other comprehensive income (FVOCI). This valuation category is linked to two conditions:

1. The assets are managed with the aim of recognizing and disposing of contractually agreed payment flows (hold and sell business model).
2. The contractually agreed payment flows from the assets are exclusively redemptions and payments (payment criteria).

A debt instrument must be measured as a FVOCI when both conditions have been met – subject to the application of the fair value option when incurred. However, this is only provided for in cases in which an accounting mismatch can be prevented or lessened.

Valuation results arising from a FVOCI-classified financial asset are to be recognized in other comprehensive income; however, impairment losses, income from write-ups, exchange rate gains and/or losses as well as interests income are to be reported in the income statement. The valuation results recognized in other comprehensive income are to be reclassified (recycled) when derecognized in the income statement.

The irrevocable option of applying an FVOCI option exists for equity instruments that are recognized at fair value through profit and loss as they do not meet payment criteria on account of a lack of payment claims. However, these equity instruments must not be held for trading purposes. The amounts recognized in other comprehensive income are not reclassified (recycled) to the income statement.

The classification of financial liabilities remains unchanged as against IAS 39. Valuation categories "designated at fair value" and "at amortized cost" remain in force for financial liabilities held for the purposes of trading and other financial liabilities, respectively. The only amendment to financial liabilities measured at fair value on account of the fair value option relates to the provisions in the event of a change in the entity's own credit risk; these are to be recognized in other comprehensive income.

Embedded derivatives will no longer need to be separated in the future and are to be classified in their entirety. The new benchmark tests allow the reviewing of possible effects from embedded derivatives and other contractual agreements on payment flows.

The new regulations covering the recognition of impairments rely on expected losses (expected loss model). According to the previous IAS 39 regulations, impairments were only recognized if they related to already incurred losses (incurred loss model). The difference between the two models is that the expected loss model takes into account expected losses without the need for any specific loss indicators, while the expected losses in the incurred loss model can only be taken into account when loss indicators already exist. This delayed recording of losses was identified as a significant weakness of IAS 39 during the course of the financial crisis. Pursuant to the new regulations, impairments would not just be recognized once they have already been incurred. Instead, risk provisions will not have to be set aside for expected defaults.

The new regulations will cover the following:

- Financial assets measured at amortized cost (including trade receivables),
- Debt instruments held by creditors, which are measured at fair value recognizing the impairment in other comprehensive income (directly),
- Leasing receivables,
- Irrevocable loan commitments and financial guarantees not measured at fair value in the income statement,
- Contract assets that fall under the scope of IFRS 15 “Revenue from Contracts with Customers”.

The scope of the impairment of financial instruments depends on the credit quality of the financial instruments since its initial recognition. Three risk provision levels (level 1, level 2 and level 3) have been stipulated. Pursuant to this model, 12-month loss expectations will generally be recognized from initial recognition. In the event of a significant deterioration in credit risk, this will be switched from this time to the recognition of expected total losses.

Level 1 provides for all financial instruments to be categorized on addition; no impairment discount will be taken into account for these on initial recognition. These instruments will remain at level 1 until such time as their credit quality does not deteriorate and the instruments continue to feature a low default risk. Expected losses are to be recognized immediately in the income statement at the present value of an expected 12-month loss starting from the respective balance sheet date through an allowance account. Interest is recognized on the basis of the gross book value. The effective interest method is therefore applied before the risk provisions are taken into account. Financial instruments at risk of default from the start at discounted on initial recognition using a credit risk adjusted effective interest rate, taking into account a corresponding impairment discount. These financial instruments are subsequently measured using the same credit risk adjusted effective interest rate until such time as their credit quality does not deteriorate significantly.

All financial instruments with a significantly higher default risks, but for which there are (as yet) no objective indications of impairment, are classified in level 2. Risk provisions are valued at the present value of all expected losses over the entire remaining term of the instrument. Interest is recognized in the same way as in level 1.

In the event that the default risk is higher and there are objective indications of impairment, the respective financial instrument in then classified in level 3; as is the case in level 2, risk provisions are valued at the present value of all expected losses over the entire remaining term of the instrument. However, in this case, interest is recognized on the basis of the net book value (book value after the deduction of risk provisions).

A simplified procedure may be used for leasing receivables as well as trade receivables and contract assets that contain a material financing component. These instruments are not categorized into levels and risk provisions are valued at the present value of the expected defaults within the remaining term. However, a simplified procedure must be used for trade receivables and contract assets that do not contain a material financing component.

In terms of trade receivables, IFRS 9 specifies financial instruments to estimate the 12-month loss and the expected loss over the remaining terms as practical exceptions for the preparation of a so-called provision matrix based on historical default rates. This matrix enables the flat-rate determination of percentages for valuation adjustments depending on how overdue the receivables are.

In addition to extensive transitional provisions, IFRS 9 is also associated with a number of disclosure requirements relating both to the transitional period and current application. Significant changes compared with IFRS 7 “Financial Instruments: Disclosures” mainly result from the regulations on value reductions.

The new IFRS 9 Financial Instruments must be applied for the first time to financial years starting on or after 1 January 2018. It may be applied earlier – subject to it being adopted by the EU. No EU endorsement date has been set as yet.

The management of CGM Group expects that the future application of IFRS 9 “Financial Instruments” could have a significant impact on the accounting of the Group’s financial assets and liabilities. However, a reliable assessment of the effects from the first-time adoption of IFRS 9 “Financial Instruments” can only be performed once a detailed analysis has been conducted.

IFRS 9 – Financial Instruments: Hedge Accounting

In November 2014, the IASB added a chapter with hedge accounting rules to IFRS 9 "Financial Instruments", which will, in the future, replace the corresponding section of IAS 39. The changes to the hedge accounting rules comprise in particular application and effectiveness conditions, approved hedged items as well as accounting, identification and note disclosures.

– **Application and effectiveness conditions**
According to IAS 39, one hedge accounting application condition is that the hedge relationship must be highly effective within prescribed strict fluctuation margins (80 percent to 125 percent).

IFRS 9 deviates from this rule-oriented method and replaces this with a risk management-oriented approach. This approach states a hedge relationship may be continued that as long as it is generally suited to reducing risks and can also be found in risk management; this may also be the case if it is not 100 percent effective. The effectiveness of a hedge relationship continues to be required to take existing ineffectiveness in earnings into account.

– **Approved hedged items**
One of the fundamental reforms of the new IFRS 9 relate to the previous hedge accounting difference between financial (loans or securities, etc.) and non-financial hedged items (such as commodities, etc.). In future, it will be possible to hedge individual risk components of non-financial hedged items, provided that these risk components are separately identifiable and reliably measurable (such as the risk of oil price fluctuations within the risk of fuel price fluctuations).

– **Accounting, identification and note disclosures**
Under IAS 39, the change in the current value of an option ("time value") based on fair value fluctuations was recognized in the income statement, which can result in high volatility.

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

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

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

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

IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

In September 2014, the IASB published amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates". The amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates" are due to a conflict between the requirements of these accounting standards and clarify that in a transaction involving an associate or joint venture the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business pursuant to IFRS 3. Until now, transactions involving an associate or joint venture in the Group have not included business activities pursuant to IFRS 3 "Business Combinations", only individual assets.

The amendments should be applied to financial years beginning on or after 1 January 2016. Earlier application is permitted. Endorsement is planned for the third quarter of 2015.

The management of CGM Group does not expect that the amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates" to have any effects on Group earnings.

IFRS 11 Joint Arrangements

In May 2014, the IASB published amendments to IFRS 11 "Joint Arrangements". The amendments to IFRS 11 "Joint Arrangements" provide guidance on the accounting of acquisitions of a share in a joint operation when the operation constitutes a business pursuant to IFRS 3 "Business Combinations". In this case, all principles on business combinations accounting in IFRS 3 and other relevant IFRSs with the exception of those principles that conflict with the guidance in IFRS 11 "Joint Arrangements" must be applied. The amendments apply to the acquisition of an interest in an existing joint operation and also to the acquisition of an interest in a joint operation on its formation, unless the formation of the joint operation coincides with the formation of the business.

The amendments should be applied prospectively to the acquisition of shares in financial years beginning on or after 1 January 2016. Voluntary earlier application is permitted. EU endorsement is planned for the first quarter of 2015.

The management of CGM Group does not expect that the amendments to IFRS 11 "Joint Arrangements" to have any material effects on the consolidated financial statements of CGM.

IFRS 14 Regulatory Deferral Accounts

In January 2014, the IASB adopted interim standard IFRS 14 "Regulatory Deferral Accounts". IFRS 14 aims to enhance the comparability of financial reporting by entities with rate-regulated activities. Pricing regulations can result in economic advantages or disadvantages in the event that expenditure in the current financial year impacts prices charged in future financial years. The national accounting regulations of some countries permit the recognition/accrual of economic advantages (recognition/deferral of economic disadvantages) and in some cases require this to be done. IFRS 14 "Regulatory Deferral Accounts" permits an entity which is a first-time adopter of International Financial Reporting Standards to continue to account, with some limited changes, for "regulatory deferral account balances" in accordance with its previous GAAP, both on initial adoption of IFRS and in subsequent financial statements. Regulatory deferral account balances, and movements in them, are presented separately in the statement of financial position and statement of profit or loss and other comprehensive income.

IFRS 14 is permitted, but not required, to be applied. The standard may be applied of the first IFRS financial statements of an entity are prepared for reporting periods beginning on or after 1 January 2016. However, earlier application is permitted. However, an entity that elects to apply IFRS 14 in its first IFRS financial statements must continue to apply it in subsequent financial statements. When the EU will endorse these standards is unknown at present.

The management of CGM Group does not expect that the amendments to IFRS 14 "Regulatory Deferral Accounts" to have any effects on the consolidated financial statements as CGM Group does not have any regulatory deferral accounts.

IFRS 15 Revenue from Contracts with Customers

In May 2014, the IASB and US standard setter FASB published the jointly developed standards on revenue recognition. In the future, IFRS 15 will specify when and to what extent an IFRS reporter will recognize revenue. The provisions included in IFRS 15 are to be applied uniformly for various transactions and across all industries, thereby enhancing the global comparability of entities' revenue disclosures (top line of financial statements). IFRS 15 is generally to be applied to all contracts with customers except for:

- Leases within the scope of IAS 17 "Leases";
- Financial instruments and other contractual rights or obligations within the scope of IFRS 9 "Financial Instruments", IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements", IAS 27 "Separate Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures";
- Insurance contracts within the scope of IFRS 4; and
- Non-monetary exchanges between entities in the same line of business to facilitate sales to customers to potential customers.

IFRS 15 "Revenue from Contracts with Customers" replaces the previous standards and interpretations covering revenue recognition (IAS 11 "Construction Contracts", IAS 18 "Revenue" as well as IFRIC 13 "Customer Loyalty Programmes", IFRIC 15 "Agreements for the Construction of Real Estate", IFRIC 18 "Transfers of Assets from Customers" and SIC-31 "Revenue – Barter Transactions Involving Advertising Services"). Contrary to current provisions, IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers.

The core principle of the five-step model is that an entity will recognize revenue to depict the transfer of promised goods or services in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Step 1 is to determine whether a contract with a customer falls within the scope of IFRS 15, which is the case if all the following IFRS 15 conditions are met cumulatively:

a) The contract has been approved by the parties to the contract,
b) Each party's rights in relation to the goods or services to be transferred can be identified,
c) The payments terms can be identified,
d) The contract has commercial substance, and
e) It is probable that the consideration will be collected. Where appropriate, multiple contracts are to be considered as an overall contract.

Extensive guidance is also provided on contract modifications which, depending on their structure (such as an increase in the scope of services) or the distinctness of the services to be transferred now or in the future, are to be considered as separate contracts or not.

Step 2 is the identification of the performance obligations in the contract, as revenue must be recognized at the level of the individual performance obligations. Goods or services are distinct and therefore to be considered as individual performance obligations when the customer obtains benefits from the goods or services – regardless of any other goods or services agreed in the contract. The goods and services must also be distinct.

Step 3 is the identification of the transaction price; this is the amount to which an entity expects to be entitled in exchange for the transfer of goods and services. Although this price will often be a fixed amount, the transaction price can also include variable components, such as rebates, credits, performance bonuses or penalties, etc. The amount of the variable consideration is to be estimated and included in the transaction price. The associated uncertainty is taken into account by the fact that these variable amounts may only be considered when it is highly probable that its inclusion will not result in a significant revenue decline. The transaction price also includes possible financing components or non-monetary exchanges (measured at fair value).

The previously-determined transaction price is then used in step 4 is then allocated to the individual performance obligation by reference to their relative standalone selling prices. If a standalone selling price is not directly observable (such as from corresponding transactions with the individual performance obligations), the entity will need to estimate it; IFRS 15 suggests various methods.

Step 5 is the recognition of revenue as the performance obligation, either over time or at a point in time. The performance obligation is satisfied when control of the goods or service has been passed. Control of an asset is the ability to direct the use of and obtain sustainability of the asset.

When concluding a contract pursuant to IFRS 15, it must generally be determined whether the revenue resulting from the contract is to be recognized at a point in time or over time. Specific criteria must first be used to determine when control of the goods or services are transferred over time. If this is not the case, the revenue is to be recognized at the point in time when control is passed to the customer. Indicators for this include the legal transfer of ownership, the transfer of the principle risks and opportunities, or formal acceptance. However, if control is transferred over a longer period, revenue can only be recognized over time in the event that the percentage of completion can be determined reliably using input or output methods. In addition to general revenue recognition principles, the standard also includes detailed guidance on topics such as sales with a right of return, customer options for additional goods or services, principal versus agent considerations, as well as bill-and-hold arrangements. IFRS 15 also includes new guidance on costs to obtain or fulfill a contract with a customer as well as when these costs are to be recognized. Costs that do not fulfill the specified criteria are to be expensed when incurred.

IFRS 15 also includes new and more extensive provisions relating to revenue disclosures. An entity should disclose qualitative and quantitative information about all of the following:

- Its contracts with customers,
- The significant judgments, and changes in the judgments, made in applying the guidance to those contracts, and
- Any assets recognized from the costs to obtain or fulfill a contract with a customer.

The standard must be applied to financial years beginning on or after 1 January 2017. Early application is permitted. European entities must first wait for the European Commission to endorse the standard, which is planned for the second quarter of 2015.

The management of CGM Group expects the first-time application of IFRS 15 to have significant effects on the consolidated financial statements of CGM on account of the extensive and complex changes. Significant adjustments will also likely be required to internal controls and IT architecture.

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

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

IFRS 2 – Share-based Payment

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

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

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

IFRS 3 – Business Combinations

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

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

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

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

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

IFRS 8 – Operating Segments

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

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

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

IFRS 13 – Fair Value Measurement

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

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

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

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

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

IAS 24 – Related Party Disclosures

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

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

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

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

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

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

IFRS 3 – Business Combinations

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

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

IFRS 13 – Fair Value Measurement

IFRS 13.48 allows entities that manage a group of financial assets and financial liabilities on the basis of their net market risk or net default risk to determine the fair value of this group in accordance with how market participants would evaluate the net risk position on the evaluation date ("portfolio exception"). The proposed amendment clarifies that this exception relates to determining the fair value of all contracts within the scope of IAS 39 "Financial Instruments: Recognition and Measurement" or IFRS 9 "Financial Instruments", even if these do not meet the definition of a financial asset or financial liability as per IAS 32 "Financial Instruments: Presentation" (such as certain contracts to buy and sell non-financial items that can be settled net in cash or another financial instrument). This amendment must be applied for the first time to financial years starting on or after 1 July 2014. The amendment must be applied prospectively from the beginning of the financial year in which IFRS 13 is applied for the first time. It may be voluntarily applied earlier.

IAS 40 – Investment Property

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

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

Improvements to the International Financial Reporting Standards (Improvements Project 2012-2014)

Provisions from the annual improvements project were published in September 2014, containing amendments to the standards.

IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations

The amendment includes specific guidance in IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued.

The amendments enter into force for reporting periods beginning on or after 1 January 2016; this may be applied earlier (however, entities headquartered in the EU will first have to wait for the European Commission to endorse the amendments and for these to be published in the Official Journal of the EU).

IFRS 7 – Financial Instruments: Disclosures

The amendment includes additional guidance to determine the disclosures required in IFRS 7 "Financial Instruments: Disclosures" to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of determining the disclosures required. It also clarifies the applicability of the amendments to IFRS 7 on offsetting disclosures to condensed interim financial statements.

The amendments enter into force for reporting periods beginning on or after 1 January 2016; this may be applied earlier (however, entities headquartered in the EU will first have to wait for the European Commission to endorse the amendments and for these to be published in the Official Journal of the EU).

IAS 19 – Employee Benefits

The amendment to IAS 19 "Employee Benefits" clarifies that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid. The depth of the market for high quality corporate bonds should be assessed at currency level.

The amendments enter into force for reporting periods beginning on or after 1 January 2016; this may be applied earlier (however, entities headquartered in the EU will first have to wait for the European Commission to endorse the amendments and for these to be published in the Official Journal of the EU).

IAS 34 – Interim Financial Reporting
The amendment to IAS 34 "Interim Financial Reporting" clarifies the meaning of "elsewhere in the interim report" and requires a cross-reference if it is not part of the main body of the report.

The amendments enter into force for reporting periods beginning on or after 1 January 2016; this may be applied earlier (however, entities headquartered in the EU will first have to wait for the European Commission to endorse the amendments and for these to be published in the Official Journal of the EU).

C. Principles of consolidation

a) Effective date of consolidation

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

b) Consolidated subsidiaries

The financial statements of the entity and of the companies controlled by the entity including the structured entities (its subsidiaries) are included in the consolidated financial statements as at 31 December of each year.

The entity obtains control when:

- It can exercise control over the investee;
- Variable returns result from the investment; and
- The power over the investee means that the entity can affect returns.

The entity will re-estimate whether it controls an investee or not in the event that facts or circumstances indicate that one or more of the above three control criteria have changed.

In the event that the entity does not hold the majority of voting rights, it will still control the investee if the entity's voting rights enable it to practically unilaterally determine the investee's relevant activities. When determining whether the entity's voting rights suffice to control the investee, the entity must take into account all facts and circumstances, including:

- The scope of the voting rights held by the entity compared to the scope and distribution of the voting rights held by other shareholders;
- The possible voting rights of the entity, other shareholders and other parties;
- Rights from other contractual agreements; and
- Other facts and circumstances that indicate that the entity currently has or does not have the means to determine the relevant activities at the time at which decisions need to be made, taking into account voting decisions at previous annual general and shareholder meetings.

A subsidiary will be included in the consolidated financial statements from the time the entity obtains control over the subsidiary until the time the entity no longer has control. The financial results of the subsidiaries acquired or sold in the course of the year are recognized in the consolidated income statement in other comprehensive income from the date of acquisition until the date of disposal.

The profit or loss of each component of other comprehensive income are attributed to the shareholders of the parent company and the minority shareholders, even if this results in the minority shareholders having a deficit balance.

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

The capital consolidation principles applied within CGM Group are described below:

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

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

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

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

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

(ii) Acquisition of subsidiaries

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

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

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

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

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

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

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

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

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

If the first-time accounting of a business combination has not yet been completed by the end of a financial year, the preliminary valuations are provided by CGM. If new information illuminating the circumstances of the acquisition date comes to light within the valuation period, the provisionally recognized amounts will be corrected, or if necessary, additional assets and liabilities will be recognized.

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

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

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

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

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

c) Associates and joint ventures
CGM Group accounts for associates using the equity method. An associate is an entity over which the Group is in a position to exercise significant influence, but not control, through participation in its financial and operating policies. Significant influence is presumed when the Group holds a voting interest of 20 percent in such an entity and bases the entity's status as company on this relationship.

Joint ventures are a joint arrangement whereby the parties that have joint control have rights to the net assets of the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The results, assets and liabilities of joint ventures are included in these financial statements using the equity method.

In the event that investments in associates or joint ventures are classified as held for sale, these are to be accounted for pursuant to the provisions of IFRS 5 "Non-current Assets Held For Sale and Discontinued Operations".

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the requirements for an associate or a joint venture are fulfilled. Any excess of the cost of the acquisition of shares over the acquired portion of the fair value of the identifiable assets, liabilities and contingent liabilities is recognized as goodwill. Goodwill arising from the acquisition of an associate or a jointly controlled entity is included in the amortized carrying amounts of the interest in the associates or jointly controlled entities and is not subject to a separate impairment test.

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

CGM Group discontinues the use of the equity method from the time at which its investment no longer represents an associate or a joint venture, or the investment is to be classified as held for sale pursuant to IFRS 5. In the event that CGM Group retains an interest in a former associate and this interest is a financial asset within the meaning of IAS 39, this interest is to be measured at fair value upon initial recognition. The difference between the previous carrying amount of the associate or the joint venture at the time of the discontinuation of the equity method and the fair value of a retain portion, include revenue from the disposal of a portion of the interest in an associate or a joint company is to be taken into account when determining capital gains/losses. Furthermore, CGM Group accounts for all amounts related to these associates or joint ventures in other comprehensive income in the manner that would be required if the associate or joint venture had directly sold the assets or liabilities. This means that CGM Group re-classifies gains or losses, which the associate or joint venture has to date recognized in other comprehensive income and then reclassified in the income statement when the assets or liabilities are sold, from equity to the income statement following the discontinuation of the equity method. In the event of the disposal of an associate or jointly controlled entity, the attributable amount of goodwill is taken into account in determining the deconsolidation.

If an investment changes from being in an associate to being in a joint venture, or vice versa, the Group will continue to apply the equity method and will not remeasure fair value on account of the change in investment.

In the event that the Group's investment in an associate or a joint venture changes but the Group continues to apply the equity method, the portion of the profits or losses attributable to the reduction in the investment, which was previously recognized in other comprehensive income, will be reclassified to profit or loss in the event that the profits or losses of the associated assets and liabilities had to be reclassified to profit or loss when they were sold.

In the case of transactions between a CGM Group company and an associate or a joint venture of CGM Group, gains and losses are eliminated to the extent to the Group's portion to the corresponding associate or joint venture.

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

d) Joint operations
Joint operations are joint arrangements whereby the parties that exercise joint control have rights to the assets and obligations for the liabilities of the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

If a CGM Group company carried out activities within the scope of a joint operation, CGM Group, as joint operator, will recognize the following items relating to its share of the joint operation:

- Its assets, including its share of the jointly incurred assets;
- Its liabilities, including its share of the jointly incurred liabilities;
- Its revenue from the sale of its share of the products or services of the joint operation; and
- Its expenses, including its share of the jointly incurred expenses.

CGM Group accounts for the assets, liabilities, income and expenses relating to its share of the joint operation in accordance with the IFRS accounting standards applicable to assets, liabilities, revenue and expenses.

If a CGM Group company engages in transactions with a joint operation whereby another CGM Group company is the joint operator, CGM Group will treat the corresponding transaction as though it were a joint operation conducted with the other parties. This means that possible gains and losses from such transactions are only recognized to the extent of the share in the joint operation of the other parties.

If these transactions relate to the sale of assets by a CGM Group company, then the gains and losses are recognized at that time to the extent of the Group share in the joint operation provided that these assets are then sold to a third party.

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

(i) Change in consolidation group
The following changes have occurred within the consolidation group, as compared with the previous year:

Change in consolidation group	Germany	Other countries	Total
CompuGroup Medical AG and consolidated subsidiaries as at 1 January 2014 (adjusted)	**18**	**54**	**72**
Additions	10	5	15
Disposals	0	4	4
Total as at 31. December 2014	**28**	**55**	**83**

(ii) Company acquisitions and disposals

The acquisitions made by CGM Group in 2014 with their values as of the acquisition date and effects on the consolidated financial statements are shown in the following table:

EUR '000	Total 2014	Acquisition of assets of Vision4Health-Group	Sturm Medical Solutions GmbH, Germany	Turbomed-Center GmbH & Co.KG, Germany	Farma3Tec S.r.l./ Mondofarma S.r.l., Italy	Labelsoft Clinical IT B.V., Netherlands	Other acquisitions
Purchase date		**06.01.14**	**01.05.14**	**01.10.14**	**01. 09.14**	**01.10.14**	**–**
Voting rights acquired in %		**–**	**100**	**100**	**100**	**100**	**–**
Acquired assets and liabilities assumed recognized at acquisition date							
Non-current assets	**36,249**	**18,810**	**1,474**	**1,096**	**6,948**	**4,973**	**2,948**
Software	7,750	5,828	1	0	768	1,139	14
Customer relationships	24,398	10,333	1,338	1,030	5,633	3,467	2,597
Brands	2,908	2,434	0	0	318	156	0
Order backlog	0	0	0	0	0	0	0
Property and buildings	5	0	1	4	0	0	0
Other fixed assets and office equipment	857	97	80	62	97	184	337
Other non-current financial assets	131	16	54	0	34	27	0
Other non-current non-financial assets	0	0		0	0	0	0
Deferred tax assets	199	101		0	98	0	0
Current assets	**15,991**	**6,741**	**1,827**	**330**	**5,044**	**1,494**	**555**
Inventories	850	55	140	42	318	0	295
Trade receivables	11,105	6,144	296	260	4,022	265	118
Other current financial assets	220	172	1	0	43	4	0
Other current non-financial assets	1,120	209	29	13	220	590	59
Other assets	415	0	3	0	377	16	19
Cash and cash equivalents	2,280	160	1,358	15	64	619	64
Non-current liabilities	**5,695**	**305**	**401**	**252**	**3,320**	**1,183**	**234**
Pensions	1,484	305	0	0	1,179	0	0
Liabilities to banks	79	0	0	0	79	0	0
Other financial liabilities	0	0	0	0	0	0	0
Other non-financial liabilities	0	0	0	0	0	0	0
Other liabilities	0	0	0	0	0	0	0
Deferred tax	4,132	0	401	252	2,062	1,183	234
Current liabilities	**13,858**	**5,621**	**530**	**260**	**5,303**	**1,392**	**752**
Trade payables	3,388	549	126	91	2,381	98	143
Contingent liabilities	0	0	0	0	0		0
Liabilities to banks	210	94	0	0	78		38
Other liabilities	2,783	1,826	293	24	392	47	201
Other financial liabilities	1,849	611	8	142	317	451	320
Other non-financial liabilities	5,627	2,541	103	3	2,135	795	50
Net assets acquired	**32,687**	**19,626**	**2,370**	**914**	**3,369**	**3,891**	**2,517**

EUR '000	Total 2014	Acquisition of assets of Vision4Health-Group	Sturm Medical Solutions GmbH, Germany	Turbomed-Center GmbH & Co.KG, Germany	Farma3Tec S.r.l./ Mondofarma S.r.l., Italy	Labelsoft Clinical IT B.V., Netherlands	Other acquisitions
							0
Purchase price paid in cash	42,930	23,551	2,906	1,100	6,400	5,500	3,473
Liabilities assumed	2,247	0	0	239	1,451	0	557
of which contingent consideration	39	0	0	39	0	0	0
Issued equity instruments	0	0	0	0	0	0	0
							0
Total consideration transferred	**45,177**	**23,551**	**2,906**	**1,339**	**7,851**	**5,500**	**4,030**
							0
Non-controlling interests	0	0	0	0	0	0	0
							0
Goodwill	**12,490**	**3,925**	**536**	**425**	**4,482**	**1,609**	**1,513**
							0
Acquired cash and cash equivalents	2,280	160	1,358	15	64	619	64
Purchase price paid in cash	42,930	23,551	2,906	1,100	6,400	5,500	3,473
Prepayments on acquisitions	0	0	0	0	0	0	0
Payments for acquisitions after date of acquisition	1,352	0	0	0	0	0	1,352
Cash outflow for acquisitions (net)	**-42,002**	**-23,391**	**-1,548**	**-1,085**	**-6,336**	**-4,881**	**-4,761**
Effects of the acquisition on Group result							0
Sales revenue following date of acquisition	20,743	10,667	1,326	318	4,121	819	3,492
Result following date of acquisition	-1,532	-1,643	170	0	-252	129	64
Sales revenue in 2014 (hypothetical date of acquisition 1 January 2014)	36,671	10,667	1,989	1,272	12,363	3,276	7,104
Result 2014 (hypothetical date of acquisition 1 January 2014)	-1,040	-1,643	255	-6	-345	516	183
Costs attributable to the acquisition	**340**	**150**	**0**	**0**	**125**	**30**	**35**

Acquisition of the assets of Vision4Health Group, Germany

In January 2014, CompuGroup Medical Lab International GmbH, a wholly-owned subsidiary of CompuGroup Medical AG, acquired all material assets and shares of Vision4Health Group with operations in Germany, Switzerland, Belgium and France. With more than 200 installations in Europe, Vision4Health is one of the leading suppliers of laboratory information systems with some of the largest and most prestigious hospitals and private laboratory groups as reference customers.

The product suite of Vision4Health consists of the proven and market-established "molis" laboratory information system which supports all relevant laboratory disciplines such as biochemistry and hematology, microbiology, histopathology, blood bank administration and transfusion/transplantation medicine. Significant investments have been made over the last years to develop a new product generation named "molis vt" based on the latest technology and most innovative work process models. Supplementary to this, the diagnostic portal "molis vt channel" supports electronic ordering and results, paperless request for information and findings as well as other value-added

services between healthcare providers and laboratory services. The “molis vt channel” is as such one of the cornerstones of Diagnostic Wide Area Networks connecting physicians’ offices, medical centers, wards, outpatient departments and laboratories.

The total revenue of Vision4Health Group was EUR 13,393 thousand in the 2013 financial year with EBITDA of EUR 79 thousand. The purchase price amounted to EUR 23,551 thousand and was paid in full.

Vision4Health Group was consolidated on 6 January 2014.

From this acquisition, CGM Group expects to be able to significantly expand its laboratory information business in Germany, Switzerland, Belgium and France by offering innovative software products as well as services. Synergies are expected through the gain of know-how and through cost efficiency opportunities. The goodwill value of EUR 3,925 thousand results from the synergies within the Group as a result of the inclusion of Vision4Health Group in the Group. Some of the recognized goodwill will be deductible for tax purposes.

The fair value of the acquired intangible assets excluding goodwill amounts to EUR 18,595 thousand and relates to customer relationships, software and trademark rights. The receivables and payables associated with the acquisition, which essentially consist of trade receivables and payables, are balanced at book values at the date of acquisition of control, which corresponds to fair value based on the expected collection period and the best estimate of access to contractual cash flows. Uncollectible receivables were not identified at the time of initial recognition.

No deferred tax liabilities were recognized within the scope of the initial consolidation. There were no contingent liabilities as at the time of acquisition.

The initial accounting for the acquisition of Vision4Health Group as at 6 January 2014 was carried out in final form as at 31 December 2014.

Acquisition of Farma3Tec S.r.l./Mondofarma S.r.l., Italy

Economically, CompuGroup Medical acquires 100 percent of the shares of Farma3Tec S.r.l., located in Rome, as well as its subsidiary, Mondofarma S.r.l., located in Chiusi.

Farma3Tec develops software solutions for pharmacies in Italy and with more than 5,000 customers, is the market’s number two, behind CGM subsidiary Studiofarma. Mondofarma is the main distributor of Farma3Tec software solutions with some 1,000 existing customers, and also offers hardware and additional services. The total consolidated revenue for the two companies was roughly EUR 12.0 million in the 2013 financial year with EBITDA of EUR 0.7 million.

farma3tec was consolidated on 5 September 2014. The purchase price amounts to EUR 6.4 million and was fully paid in cash. In addition, identical pull-call option agreements exist for the outstanding 20 percent of the shares in Farma3Tec; these are accounted for at a fair value of EUR 1,451 thousand.

From this acquisition, CGM Group expects to significantly expand its pharmacy information systems in Italy by offering innovative software products and services and to realize synergies by gaining know-how and improving cost efficiency. The goodwill value of EUR 4,482 thousand for Farma3Tec results from the resulting synergies from the incorporation of the company in the Group. No recognized goodwill will be deductible for tax purposes.

The fair value of the acquired intangible assets excluding goodwill amounts to EUR 6,719 thousand and relates to customer relationships, software and trademark rights. The receivables and payables associated with the acquisition, which essentially consist of trade receivables and payables, are balanced at book values at the date of acquisition of control, which corresponds to fair value based on the expected collection period and the best estimate of access to contractual cash flows. Uncollectible receivables were not identified at the time of initial recognition.

Deferred tax liabilities of EUR 2,062 thousand were applied to the fair value of the acquired intangible assets excluding goodwill. There were no contingent liabilities as at the time of acquisition.

The initial accounting for the acquisition of Farma3Tec as at 5 September 2014 was carried out in preliminary form. The analysis of the acquired order backlog as well as the valuation of the acquired customer relationships, software and trademark rights is not yet completed due to some not yet fully received or evaluated information.

Acquisition of Labelsoft BV., Netherlands

In October 2014, CompuGroup Medical Holding Cooperatief UA, a wholly-owned subsidiary of CompuGroup Medical AG (CGM), acquired Labelsoft BV, Netherlands. The purchase price for 100 percent of the shares in Labelsoft was EUR 5.5 million. Through this acquisition, CompuGroup Medical has strengthened its position in the Dutch software market for ambulatory information systems in the primary healthcare sector: in the Netherlands, CGM now has a market share of more than 25 percent for physicians in private practice and approximately 75 percent for ambulatory extended care organizations (HAPs).

Labelsoft is the HAP market leader with a market share of 75 percent, and also has a 5 percent share of the Dutch ambulatory information system (AIS) market for physicians in private practice. The total revenue of Labelsoft was roughly EUR 3.0 million in 2013 with an EBITDA margin of approximately 20 percent.

Labelsoft was consolidated on 2 October 2014.

From this acquisition, CGM Group expects to expand its considerably business in the Netherlands by offering innovative software products and services and to realize synergies by gaining know-how and improving cost efficiency.

The goodwill value of EUR 1,609 thousand for Labelsoft results from the resulting synergies from the incorporation of the company in the Group. No recognized goodwill will be deductible for tax purposes.

The provisional fair value of the acquired intangible assets excluding goodwill amounts to EUR 4,761 thousand and relates to customer relationships, software and trademark rights. The receivables and payables associated with the acquisition, which essentially consist of trade receivables and payables, are balanced at book values at the date of acquisition of control, which corresponds to fair value based on the expected collection period and the best estimate of access to contractual cash flows. Uncollectible receivables were not identified at the time of initial recognition.

Deferred tax liabilities of EUR 1,183 thousand were applied to the fair value of the acquired intangible assets excluding goodwill. There were no contingent liabilities as at the time of acquisition.

The purchase price allocation of Labelsoft as at 2 October 2014 was carried out in preliminary form. The analysis of the acquired order backlog as well as the valuation of the acquired customer relationships, software and trademark rights is not yet completed due to some not yet fully received or evaluated information.

(iii) Subsidiaries included in the scope of consolidation

	Company name		Registered office	Equity voting rights %
	Subsidiaries in the region Central Europe (CER)			
1	AESCU DATA Gesellschaft für Datenverarbeitung mbH	1)	Winsen	100.0
2	CompuGroup Medical Deutschland AG		Koblenz	100.0
3	CompuGroup Medical Dentalsysteme GmbH		Koblenz	100.0
4	CompuGroup Medical Mobile Services GmbH	6)	Stuttgart	100.0
5	CompuGroup Medical Managementgesellschaft mbH		Koblenz	100.0
6	ifap Institut für Unternehmensberatung und Wirtschaftsdienste im Gesundheitswesen GmbH	4)	Neu-Golm	100.0
7	ifap Service Institut für Ärzte und Apotheker GmbH		Martinsried	100.0
8	Intermedix Deutschland GmbH	5)	Koblenz	100.0
9	IS Informatik Systeme Gesellschaft für Informationstechnik mbH	6)	Kaiserslautern	60.0
10	LAUER-FISCHER GmbH		Fürth	100.0
11	LAUER-FISCHER ApothekenService GmbH	3)	Koblenz	100.0
12	CGM Systema Deutschland GmbH		Koblenz	100.0
13	Privadis GmbH	3)	Köln	100.0
14	AESCU DATA Gesellschaft für Datenverarbeitung mbH AT	9)	Steyr/Austria	100.0
15	Meditec Marketingservices im Gesundheitswesen GmbH	3)	Steinhagen	70.0
16	Dr. Ralle Medienholding GmbH	3)	München	100.0
17	eHealth Business Media AG (formerly änd Ärztenachrichtendienst Verlags-AG)	27)	Hamburg	100.0
18	KoCo Connector AG		Berlin	90.0
19	CompuGroup Medical Research GmbH	4)	Koblenz	100.0
20	CompuGroup Medical Mobile GmbH	4)	Koblenz	100.0
21	CGM LAB International GmbH		Koblenz	100.0
22	CGM LAB Deutschland GmbH	31)	Koblenz	100.0
23	Corent Praxiscomputer GmbH	3)	Hamburg	100.0

	Company name		Registered office	Equity voting rights %
24	Corent Praxiscomputer GmbH	3)	Schwerin	100.0
25	Turbomed Vertriebs- und Service GmbH	3)	Trossingen	100.0
26	Turbomed Kiel Vertriebs- und Service GmbH	3)	Molfsee	100.0
27	Turbomed-Center GmbH & Co. KG	38)	Blankenburg	100.0
28	Turbomed-Center Verwaltungs GmbH	39)	Blankenburg	100.0
	Subsidiaries in the region Central Eastern Europe (CEE)			
29	CompuGroup Medical CEE GmbH		Wien/Austria	100.0
30	CompuGROUP Österreich GmbH	10)	Steyr/Austria	100.0
31	HCS Health Communication Service Gesellschaft m.b.H.	10)	Steyr/Austria	100.0
32	INNOMED Gesellschaft für medizinische Softwareanwendungen GmbH	10)	Wiener Neudorf/Austria	70.3
33	Intermedix Österreich GmbH	10)	Wien/Austria	100.0
34	Systema Human Information Systems Gesellschaft m.b.H.	10)	Steyr/Austria	100.0
35	CompuGroup Medical Schweiz AG	10)	Köniz/Switzerland	100.0
36	CompuGroup Medical Polska Sp. z o.o.		Lublin/Poland	100.0
37	CompuGroup Medical Česká republika s.r.o.	11)	Prague/Czech Republic	100.0
38	Intermedix Česká republika s.r.o.	12)	Prague/Czech Republic	100.0
39	CompuGroup Medical Slovenska s.r.o.	12)	Bratislava/Slovakia	100.0
40	CompuGroup Medical Bilgi Sistemleri A.Ş.	14)	Istanbul/Turkey	100.0
	Subsidiaries in the region North Europe (NER)			
41	CompuGroup Medical Norway AS	7)	Lysaker/Norway	100.0
42	Profdoc AS		Lysaker/Norway	100.0
43	CompuGroup Medical Sweden AB	7)	Uppsala/Sweden	100.0
44	Lorensbergs Communication AB	23)	Göteborg/Sweden	100.0
45	Lorensbergs Holding AB	7)	Göteborg/Sweden	100.0
46	CompuGroup Medical LAB AB	8)	Borlänge/Sweden	100.0
47	CompuGroup Medical Denmark A/S	7)	Randers/Denmark	100.0
48	CompuGroup Medical Belgium BVBA	15)	Nevele/Belgium	100.0
49	CompuGroup Medical Nederland B.V.	21)	Echt/Netherlands	100.0
50	CompuGroup Medical Holding Coöperatief U.A.	20)	Echt/Netherlands	100.0
51	CompuGroup Medical Nederland Technical Services B.V.	22)	Echt/Netherlands	100.0
52	CompuGroup Medical Nederland Software and Services B.V.	21)	Echt/Netherlands	100.0
53	Microbais Werkmaatschappij B.V.	21)	Amsterdam/Netherlands	100.0
54	MediPharma Online B.V.	24)	Amsterdam/Netherlands	100.0
55	Labelsoft Clinical IT B.V.	21)	Zoetermeer/Netherlands	100.0
	Subsidiaries in the region South Europe (SER)			
56	CompuGroup Medical Solutions SAS	16)	Montpellier/ France	100.0
57	Intermedix France SAS	16)	Rueil-Malmaison/ France	100.0
58	CompuGroup Medical France SAS		Rueil-Malmaison/ France	100.0
59	CG Lab Solutions France SAS	25)	Rueil-Malmaison/ France	100.0
60	Imagine Assistance S.a.r.l.		Soulac sur mer/France	100.0
61	Imagine Editions SAS		Soulac sur mer/France	100.0
62	CGM LAB France SAS	31)	Paris/France	100.0
63	CompuGroup Medical Italia SpA		Molfetta/Italy	100.0
64	Intermedix Italia S.r.l.	17)	Mailand/Italy	100.0
65	CompuGroup Medical Italia Holding S.r.l.		Mailand/Italy	100.0

	Company name		Registered office	Equity voting rights %
66	CGM XDENT Software S.r.l.	17)	Ragusa/Italy	80.0
67	Studiofarma S.r.l.	26)	Brescia/Italy	100.0
68	Qualità in Farmacia S.r.l.	26)	Novara/Italy	95.0
69	SF Sanità S.r.L	28)	Brescia/Italy	60.0
70	Farloyalty s.r.l.	28)	Brescia/Italy	51.0
71	farma3tec S.r.l.	26)	Mailand/Italy	80.0
72	Mondofarma S.r.l.	35)	Chiusi/Italy	100.0
73	Intermedix ESPANA SL		Madrid/Spain	100.0
74	CGM LAB Belgium SA	32)	Barchon/Belgium	100.0
	Subsidiaries in the region United States und Canada (USC)			
75	All for One Software, Inc.	2)	Los Angeles/USA	100.0
76	CompuGroup Holding USA, Inc.		Delaware/USA	100.0
77	CompuGroup Medical, Inc.	18)	Delaware/USA	100.0
78	All for One Software, Inc.	19)	Vancouver/Canada	100.0
	Subsidiaries in the region "Other" (OTH)			
79	CompuGroup Medical South Africa (Pty) Ltd.	13)	Stellenbosch/ South Africa	85.0
80	CompuGroup Medical Malaysia Sdn Bhd	7)	Kuala Lumpur/Malaysia	100.0
81	CompuGroup Medical Software GmbH	3)	Koblenz	100.0
82	UCF Holding S.a.r.l.	3)	Luxemburg/Luxembourg	100.0
83	Nembus AG (formerly CGM Life AG – in Liquidation)		Hergiswil/Switzerland	100.0
	Associated companies (at equity)			
84	Mediaface GmbH		Hamburg	49.0
85	AxiService Nice S.a.r.l.	16)	Nice/France	28.0
86	Technosante Nord-Picardie SAS	16)	Lille/France	20.0
87	Medigest Consultores, S.L.		Madrid/Spain	49.0
88	CGM-Alstar Healthcare Solutions Sdn Bhd	29)	Kuala Lumpur/Malaysia	45.0
89	CareTrace B.V.	33)	Zoetermeer/Netherlands	50.0
90	Farmatica S.r.l.	36)	Jesi/Italy	25.0
	Other participations			
91	AES Ärzteservice Schwaben GmbH	3)	Bad Wimpfen	10.0
92	BFL Gesellschaft des Bürofachhandels mbH&Co.KG	34)	Eschborn	2.0
93	CD Software GmbH	2)	Lampertheim	9.1
94	ic med EDV-Systemlösungen für die Medizin GmbH	3)	Halle	10.0
95	Savoie Micro S.a.r.l.	16)	Meythet/France	10.0
96	Technosante Toulouse S.A.S.	16)	Toulouse/France	10.0
97	Consalvo Servizi S.r.l.	28)	Salerno/Italy	5.0
98	Daisy-NET S.c.a r.l.	17)	Bari/Italy	0.5

1) Subsidiary of CGM Managementgesellschaft mbH
2) Subsidiary of CGM Systema Deutschland GmbH
3) Subsidiary of CompuGroup Medical Deutschland AG
4) Subsidiary of ifap Service Institut für Ärzte und Apotheker GmbH
5) Subsidiary of CompuGroup Medical Dentalsysteme GmbH
6) Subsidiary of LAUER-FISCHER GmbH
7) Subsidiary of Profdoc AS
8) Subsidiary of CompuGroup Medical Sweden AB (formerly 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 Česká republika s.r.o.

13) Subsidiary of CompuGroup Medical AG (91.9%) and Profdoc AS (8.1%)
14) Subsidiary of CompuGroup Medical AG (43.99%), CompuGroup Medical Deutschland AG (53.16%), Intermedix Deutschland GmbH (0%), CGM Systema Deutschland GmbH (0,48%), CompuGroup Medical Software GmbH (2.37%)
15) Subsidiary of CompuGroup Medical AG (99%) and CompuGroup Deutschland AG (1%)
16) Subsidiary of UCF Holding S.a.r.l
17) Subsidiary of CompuGroup Medical Italia SpA
18) Subsidiary of CompuGroup Holding USA, Inc.
19) Subsidiary of All for One Software, Inc.
20) Subsidiary of CompuGroup Medical AG (99.98%) and CompuGroup Medical Deutschalnd AG (0.02%)
21) Subsidiary of CompuGroup Medical Holding Coöperatief U.A.
22) Subsidiary of CompuGroup Medical Nederland B.V.
23) Subsidiary of Lorensbergs Holding AB
24) Subsidiary of Microbais Werkmaatschappij B.V.
25) Subsidiary of CompuGroup Medical France SAS
26) Subsidiary of CompuGroup Medical Italia Holding S.r.l.
27) Subsidiary of Dr. Ralle Medienholding GmbH
28) Subsidiary of Studiofarma S.r.l.
29) Subsidiary of CompuGroup Medical Malaysia Sdn Bhd
30) removed
31) Subsidiary of CGM LAB International GmbH
32) Subsidiary of CGM LAB International GmbH (99.9%) and CompuGroup Medical AG (0.01%)
33) Subsidiary of Labelsoft Clinical IT B.V.
34) Subsidiary of CompuGroup Medical Deutschland AG (1.0%) and CGM Systema Deutschland GmbH (1.0%)
35) Subsidiary of fama3tec S.r.l.
36) Subsidiary of Mondofarma S.r.l.
37) removed
38) Subsidiary of Turbomed Vertriebs- und Service GmbH (100.0%) and Turbomed-Center Verwaltungs GmbH (0.00%; Komplementär)
39) Subsidiary of Turbomed Vertriebs- und Service GmbH

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

g) Consolidation of results
Internal revenue 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.

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

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

- Exchange differences arising from borrowings denominated in foreign currency that occur with assets intended for productive use during the production process. They are attributed to production costs, provided they represent adjustments to the interest paid on borrowings denominated in foreign currency. Such exchange rate differences had no impact on the present consolidated financial statements of CGM as there are no areas to which these regulations relate.
- Exchange differences on transactions that were entered into to hedge against certain foreign currency risks. Such exchange rate differences had no impact on the present consolidated financial statements of CGM.
- Translation differences from monetary items to be obtained from, or payable to, a foreign business whose performance is neither planned nor likely to occur and thus part of the net investment in that foreign business. The translation differences are initially recognized in other comprehensive income or reclassified to the income statement when equity is sold. Such exchange rate differences had no impact on the present consolidated financial statements of CGM as there are no areas to which these regulations relate.

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

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

- The disposal of all interests in a foreign business,
- A partial disposal with the loss of control over a foreign subsidiary, or
- A partial disposal of an investment in a joint arrangement or an associate, which includes a foreign business.

If a disposal of parts of a subsidiary that includes a foreign business takes place without causing a loss of control, the percentage of the amount of exchange rate differences attributable to the disposed portion is allocated to non-controlling interests as of the time of disposal.

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

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

	Closing exchange rate		Average exchange rate January to December	
EUR 1 equals	31.12.2014	31.12.2013	2014	2013
Danish Crowns (DKK)	7.45	7.46	7.45	7.46
Canadian Dollar (CAD)	1.41	1.47	1.47	1.37
Malaysian Ringgit (MYR)	4.25	4.52	4.34	4.19
Norwegian Crowns (NOK)	9.04	8.36	8.35	7.81
Polish Sloty (PLN)	4.27	4.15	4.18	4.20
Swedish Crowns (SEK)	9.39	8.86	9.10	8.65
Franc Switzerland (CHF)	1.20	1.23	1.21	1.23
South African Rand (ZAR)	14.04	14.57	14.40	12.83
Czech Crowns (CZK)	27.74	27.43	27.54	25.98
New Lira Turkey (TRY)	2.83	2.96	2.91	2.53
US Dollar (USD)	1.21	1.38	1.33	1.33

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

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

Intangible assets

Intangible assets acquired separately and as part of a business combination

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

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

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

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

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

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

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

Capitalized in-house software

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

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

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

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

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

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

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

Goodwill

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

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

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

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

The accounting and measurement principles for goodwill resulting from the acquisition of an associate is described under "C.c) Associates and joint ventures."

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- CGM, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganization;

– Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including;
– Adverse changes in the payment status of borrowers in the portfolio; or national or local economic conditions that correlate with defaults on the assets in the portfolio.

CGM 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 the income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

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

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

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

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

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

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

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

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. There were one of these elements as at the reporting date.

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

Trade receivables and other current receivables
CGM Group records receivables at amortized cost less impairments.

Impairments are carried out in the form of specific loan loss provisions in line with default risk. Actual defaults on receivables result in the derecognition of the respective receivable. Receivables that are deemed to be of minor importance as well as receivables of similar default risk are grouped together and analyzed using historical values to test for impairment. At CGM Group, separate impairment accounts are often used to record impairments on trade receivables. In effect, the fundamental default risk (assessment in relation to probability of default) is the decisive factor in the decision as to whether the receivable is recognized in the income statement through derecognition or by means of an impairment account.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

b) Other financial liabilities

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

c) Derecognition of financial liabilities

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

Equity

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

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

Accumulated other income

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

Derivative financial instruments (in hedge accounting)

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

Derivatives included in hedge accounting are generally designated as either:

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

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

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

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

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

As of 31 December 2014, no derivatives existed as interest rate hedges. Moreover, forward exchange contracts have been concluded in the reporting period.

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

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

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

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

Cash and bank deposits
Cash and bank deposits are recognized at cost. They comprise cash reserves, bank deposits available on demand and other current, highly liquid financial assets that have terms of a maximum of three months at the time of acquisition.

Liabilities from government grants
Government grants are recognized according to the gross method, i.e. their gross amounts are recognized on the liabilities side. They exclusively comprise investment grants that are recognized in other income in proportion to the write-downs of the subsidized assets.

Leases
Leases are essentially classified as finance leases if all risks and rewards incidental to ownership are transferred to the lessee through the leasing agreement. Leases in which a substantial proportion of all risks and rewards incidental to ownership of an asset remain with the lessor are classified as operating leases.

a) CGM Group as lessee
The Group leases certain items of property, plant and equipment (leased items). Assets in connection with finance leases are capitalized at the beginning of the leasing term at the lower of the fair value of the leased item and the present value of minimum lease payments. Leasing liabilities of the same amount are recognized under non-current liabilities. Each leasing installment 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 installment is charged to the income statement so as to produce a constant rate of interest over the term of the lease agreement. Items of property, plant and equipment governed by finance leases are depreciated over the shorter of their economic useful life or the term of the lease.

Payments made in relation to an operating lease are recognized as expenses on a straight-line basis over the duration of the lease. The only exception to this is when another accounting method is more suitable to the pattern of economic benefits for CGM Group. Conditional payments within the scope of an operating lease are recognized as expenses in the period in which they occur.

b) CGM as lessor
If assets are leased under a finance lease, the present value of the minimum lease payments is carried as a lease receivable. Any difference between the gross receivable (minimum lease payment before discounts) and the present value of the receivable is recognized as unrealized financial income. The receipt of differences in amounts is recognized in revenue. Leasing income is recognized over the lease term using the annuity method, reflecting a constant annual return in terms of the lease receivable.

Assets leased by customers within the scope of leasing relationships are recognized in non-current assets. Income from leases is recognized on a straight-line basis over the term of the lease.

Income taxes and deferred taxes
Income tax expenses for the reporting period recognized in the CGM Group income statement consist of the current tax charge and deferred taxes charged in the income statement. CGM Group calculates the current tax charge on the basis of Group companies' taxable income under valid national income tax rates.

In accordance with the requirements of IAS 12, CGM Group recognizes all temporary differences between the tax balance sheet and the consolidated financial statements as deferred taxes. Deferred tax assets on loss carry forwards are recognized as assets in the amount for which it can be assumed that usage will take place in the medium term (five years) permitted under tax law.

Deferred tax assets and liabilities are also formed on the basis of temporary differences resulting from company acquisitions. One exception to this is temporary differences from goodwill for which no deferred taxes are recognized. If goodwill is taken into account for tax purposes, the recognition of deferred taxes that are not realized before the disposal is performed in the subsequent evaluation.

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

The respective valid national income tax rates for Group companies are used in the calculation of deferred taxes. Income tax rates that are already fixed but will only be applied in future periods are also taken into consideration in the calculation of deferred taxes.

Deferred tax entries generally impact the income statement (with the exception of first-time consolidation) unless they relate to items that are directly recognized in equity or other income. In this case, the taxes are also recognized in equity or other income.

Income recognition
Income from the sale of goods and rights is recorded once the risks and rewards of ownership of the goods and rights have been transferred to the buyer, the transfer of the economic use of the asset is likely and the amount can be reliably established. Income from services purchased is recorded as soon as the service is performed. Income is not recognized if there are any material risks regarding the receipt of the consideration or the potential return of goods. CGM Group recognizes its revenue less any reductions such as bonuses, rebates or discounts.

Income and expenses resulting from manufacturing orders (primarily from the implementation of software solutions in clinics, larger laboratories, social services and rehabilitation centers) are carried according to the percentage of completion method. According to this, income is recognized according to the degree of completion. The degree of completion is calculated on the basis of the relationship between the order costs incurred on the respective date and total order costs estimated on the reporting date. Manufacturing orders carried according to the percentage of completion method are recognized on the reporting date at incurred order cost plus the percentage of profit resulting from the degree of completion. The income generated from manufacturing orders is recognized less received prepayments and invoiced services already settled by the customer in the balance sheet under trade receivables. Changes to ordered services as well as subsequent services are only taken into account as part of an existing manufacturing order if acceptance on the part of the customer is considered likely and a reliable assessment can be made regarding the amount. Should income from a manufacturing order not be able to be estimated with a sufficient level of certainty, probable revenue is recognized at least up to the amount of incurred costs. Order costs are recognized as expenses for the period in which they are incurred. If it is foreseeable that anticipated order costs will exceed order income, the anticipated loss is recognized immediately as expenses. Such orders usually last between three and five years.

Income from contracts that contain a number of different elements (multi-component contracts) is recognized if the respective contractual component has been supplied or provided and is based on the objective, relative fair values of each individual contractual component.

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

Revenue type	Description and income recognition
Software licenses	These include revenue from the sale of software licenses, which are usually subject to a single payment. The license entitles the customer to permanent use of the software. The license fee is contractually fixed and does not trigger any future license payments or usage-dependent invoices. Only software expansion modules trigger further license payments. Income from sales of software licenses is recognized on dispatch.
Software license and other recurring income	This includes revenue from contracts that give customers access to new releases of software products after they have already been supplied. These updates serve to rectify bugs, improve performance and other features and also adapt the software to changes in the usage environment. The contractual relationship for software maintenance also includes hotline support (either via telephone or online). A software maintenance contract usually runs for twelve months and is automatically extended by a further twelve months. Revenue from recurring, transaction-specific services and other long-term services include application service provider services, hosting fees, Internet service provider fees, eServices fees, EDI and compensation payments, receivables management payments, outsourcing agreements, hardware maintenance and repair agreements etc. Customer relationships are usually long-term. Income from software maintenance and other recurring income as well as from support services is booked over the period when the services are rendered.
Professional Services	Revenue from services remunerated on an hourly basis or at contractually agreed fixed prices falls under the “Services” revenue type. Activities performed on behalf of customers include project management, analysis, training, system configuration, customer-specific programming as well as hardware maintenance and repair work. Income from services to be remunerated on an hourly basis is recognized upon completion of the service. Income from service components as part of manufacturing and other service contracts is recognized according to the degree of completion of the project (percentage of completion method).
Hardware	Revenue from the sale of hardware and infrastructure components, such as PCs, servers, monitors, printers, switches, racks, network components, etc. This income is recognized immediately after the hardware components are dispatched. This does not apply to contractually fixed hardware components within the scope of manufacturing orders, which are recognized in the project as a whole according to the degree of completion (percentage of completion method).
Advertising, eDetailing and data	This includes revenue from paid advertising content and communications services relating to software or other media. It also includes revenue from software services and associated services supporting the sales process of pharmaceutical companies. Revenue from the collation, organization and provision of data (i.e. blacklists) for service providers in the healthcare sector (e.g. health insurances, pharma companies) is attributed to this income type. Income from advertising, eDetailing and data that take the form of a continuing obligation is booked over the period when the services are rendered. Income from services to be remunerated on an hourly basis is recognized upon completion of the service.
Software assisted medicine (SAM)	This includes revenue from healthcare management and associated services. In addition, revenue that originates from the use of special software modules (i.e. software supporting medical decision-making) in physician’s offices, hospitals, networks of physician’s offices and hospitals, health insurance providers, patient networks, etc. is allocated to this revenue type. Income from health management services to be remunerated on an hourly basis is recognized upon completion of the service. Income from sales of SAM software licenses is recognized immediately after they are dispatched. Income from software maintenance and other recurring income in SAM is booked over the period when the services are rendered.
Other income	This comprises all revenue that cannot be attributed to any of the aforementioned categories. Income recognition is carried out on a case-by-case basis in compliance with the relevant IFRS requirements.

Interest income is posted to the correct accounting period based on the outstanding loan balance and the applicable interest rate. The applicable interest rate is the interest rate calculated on the estimated future cash to be received over the term of the financial asset and the net carrying amount of the financial asset.

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

Deferred income
Deferred income is recognized in compliance with the basic revenue recognition criteria as software license income, software maintenance and other recurring income, income from advertising, e-detailing and data, and income from Software Assisted Medicine (SAM) in the income statement. This is typically the case when the related services are rendered.

Earnings per share
Undiluted earnings per share equate to the sum of the net result attributable to the shareholders of CompuGroup Medical AG divided by the weighted average of the number of issued shares. If new shares are issued or bought back during the reporting period, this calculation is carried out pro rata based on the shares in circulation during the given period. There are no instruments that could potentially dilute earnings per share.

Segment reporting
The segment reporting of CGM Group is aligned with the internal organizational and reporting structure in accordance with the so-called "management approach". The data and financial information used to determine internal management parameters is derived from the consolidated financial statements of CGM Group prepared in accordance with IFRS accounting principles.

Use of accounting estimates and management judgments
The preparation of consolidated financial statements under IFRS requires that assumptions are made and estimates are applied. These have an effect on the amount and reporting of recorded assets and liabilities, income and expenses, and contingent liabilities of the reporting period. The main estimates and judgments in preparing the consolidated financial statements are discussed below:

a) Purchase price allocations and company acquisitions
Assumptions and estimates are particularly made as part of the purchase price allocations for the purchase of companies. The determination of the value of capitalized software is based upon the relief from royalty method, customer relationships as per the multi-period excess earnings method, and trademark rights using the relief from royalty method. Estimates are also used to support the calculation of the depreciation of identified undisclosed reserves.

b) Estimated impairment of goodwill
An assessment of the recoverable amount for goodwill is carried out both annually and as soon as there is any evidence for an impairment of goodwill; it is based upon budget calculations for the CGU over the next five years using a discount rate reflecting any specific Company risk. CGM Group determines the recoverable amount from either the fair value less disposal costs or the value in use, whichever is greater. However, the management of CGM Group believes that the assumptions used in the calculation of the recoverable value are suitable, unforeseeable changes in these assumptions would lead to an impairment charge which could have negative implications on the net assets, financial position and results of operations of CGM Group.

c) Recoverable amount of assets
CGM Group assesses whether there is evidence of impairment of property, plant, and equipment or an intangible asset (also including intangible assets from capitalized in-house services software) at the end of every reporting period. The recoverable amount of the corresponding asset is determined using the best possible estimate of the input parameters. Similarly to the recoverable goodwill test, the recoverable amount equates to the fair value less disposal costs or the value of use, whichever is greater. The recoverable amount is determined on the basis of budget calculations for the cash flows of the relevant asset over the next five years using a discount rate reflecting any specific Company risk. However, the management of CGM Group believes that the assumptions used in the calculation of the recoverable amount are suitable with regard to the economic climate and the development of the sector, changes in the underlying parameters could lead to an adjustment of recoverable value analysis for the asset concerned. This could lead to further impairments but also reversed impairments in future periods should the underlying assumptions and estimates set by the management prove to be unsuitable.

d) Useful life of property, plant and equipment
As explained in this section under "Property, plant and equipment", CGM Group reviews the suitability of the estimated useful lives of property, plant and equipment at the end of each reporting period. This results in reassessments in relation to the remaining economic useful life. Changes resulting in a reassessment of the economic useful life can ensue due to changing market conditions (e.g. fall in prices) or general technological advances.

e) Assessment of the probability of other provisions
The recognition and measurement of other provisions on the basis of the best possible assessment of the probability of future outflow of resources as well as by means of empirical values in consideration of known circumstances as of the reporting date can cause the actual outflow of resources to deviate from the other provisions formed to this effect.

f) Provisions for post-employment benefits
The present value of the pension obligation is dependent on a number of factors which, in turn, are based on actuarial assumptions. The assumptions used to determine these net expenses (and income) include the pension interest rate. Any change in this assumption will have an effect on the present value of the obligation.

g) Income recognition from manufacturing orders
As part of their business operations, some of the CGM Group consolidated subsidiaries allocated to the HPS II segment conclude manufacturing orders that are carried using the percentage of completion method. Revenue is therefore recognized according to the degree of project completion. The application of the percentage of completion method requires a precise assessment of project progress in relation to the project as a whole. Assessments must be made on anticipated costs for the rest of the project, total order income, inherent order risks and all other relevant factors. CGM Group regularly reviews the suitability of assessments made for the purposes of recognizing income from manufacturing orders and, if necessary, makes the necessary adjustments on the basis of any new findings.

h) Income taxes

Management also has to make estimations and assumptions when calculating current and deferred taxes. Deferred tax assets are assessed at the value at which the recoverability of future tax benefits is judged probable. The actual value of deferred tax assets is dependent upon the actual future taxable income situation. This can vary from the estimate made at the time when the deferred tax asset was first capitalized. Various factors are used to assess the probability of the future utilization, including past operating results, operational planning, loss carry forward periods and tax planning strategies.

i) Fair value of derivative and other financial instruments

The measurement of interest rate derivatives includes expectations about future interest rates as well as the assumptions upon which these expectations are based.

Further explanations regarding the assumptions and estimates made which support these consolidated financial statements are included in the disclosures on the individual line items of the year-end accounting records.
Discretionary decisions have to be taken when applying accounting and measurement methods. These decisions are constantly reassessed and are based on historical experiences and expectations in respect of future events that can be considered reasonable under the given circumstances.

This applies especially with regard to the following issues:

- The determination of the fair values of assets and liabilities acquired as part of a business combination, as well as of the useful lives of the assets is based on management's judgment.
- With regard to assets held for sale, it must be determined if they can be sold in their current condition and if the sale of such is highly probable.
- Financial assets are categorized as either "financial assets recognized at fair value in the income statement", "loans and receivables", or as "financial assets available for sale".

All assumptions and estimates are based upon the circumstances that exist as of the balance sheet date. Actual future circumstances can, of course, deviate from these estimates and assumptions. If such a deviation occurs, the assumptions are adjusted and, if necessary, the carrying amount of the impacted asset or liability is changed accordingly.

All amounts in the consolidated financial statements are stated in thousands of EURO (EUR '000) unless otherwise stated. Smaller deviations in absolute figures and in the calculation of percentages may occur due to rounding.

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

1. Intangible assets

a) Development of intangible assets

Overview of the development of property, plant and equipment as of 31 December 2014

	Purchase or manufacturing costs						Book value	
EUR '000	01.01.2014	Additions from acquisitions	Other additions	Disposals and transfers	Exchange rate differences	31.12.2014	31.12.2014	01.01.2014
Goodwill/business value	241,897	12,490	0	-13	11	254,385	244,456	233,650
Software	213,849	7,750	1,463	2,305	2,166	227,533	49,464	53,146
Customer contracts	179,221	24,398	0	0	2,387	206,006	154,486	138,969
Brands	26,489	2,908	0	0	294	29,691	15,245	15,543
Order backlog	8,844	0	0	0	22	8,866	84	1,363
Purchased software licenses	6,395	0	6,700	-2,305	-63	10,727	10,463	6,139
Capitalized in-house services	59,843	0	9,202	0	-203	68,842	43,344	37,340
Total	**736,538**	**47,546**	**17,365**	**-13**	**4,614**	**806,050**	**517,542**	**486,149**

Overview of the development of property, plant and equipment as of 31 December 2013

	Purchase or manufacturing costs						Book value	
EUR '000	01.01.2013	Additions from acquisitions	Other additions	Disposals and transfers	Exchange rate differences	adjusted 31.12.2013	adjusted 31.12.2013	01.01.2013
Goodwill/business value	227,273	19,177	0	0	-4,553	241,897	233,650	219,503
Software	211,245	5,547	2,826	-626	-5,143	213,849	53,146	60,105
Customer contracts	160,722	23,808	0	-4	-5,305	179,221	138,969	127,248
Brands	25,075	1,752	0	-2	-336	26,489	15,543	17,023
Order backlog	8,862	0	0	0	-18	8,844	1,363	4,210
Purchased software licenses	1,545	0	5,557	-369	-338	6,395	6,139	1,289
Capitalized in-house services	45,307	4,466	10,205	-69	-66	59,843	37,340	26,434
Total	**680,029**	**54,750**	**18,588**	**-1,070**	**-15,759**	**736,538**	**486,149**	**455,812**

Amortization of intangible assets is recognized in the income statement.

The development of intangible assets is detailed in the separate appendix to the Notes "Changes in intangible assets and property, plant and equipment in 2014".

Due to a sale and lease back agreement, the ownership entitlement of CGM Group in relation to the SAP system was restricted as accounting took place solely on the basis of economic ownership. Once the basic lease term expires, the leasing company shall hold the exploitation rights. The book value of the assets concerned amounts to EUR 11,721 thousand.

b) Goodwill

The principle components of goodwill are allocated to cash-generating units (CGUs) as follows:

CGU	01.01.2014 EUR '000 adjusted	Additions EUR '000	Disposals EUR '000	Impairment EUR '000	Reclassifications EUR '000	Exchange rate differences EUR '000	31.12.2014 EUR '000
Lauer-Fischer	30,813	0	0	0	0	0	30,813
CGM Sweden	30,797	0	0	0	0	-1,735	29,062
CGM Deutschland	30,618	0	0	0	0	0	30,618
CGM US	20,769	0	0	0	0	2,823	23,592
Systema HIS	14,304	0	0	0	0	0	14,304
CGM Italy	12,822	0	0	0	0	0	12,822
CGM Norway	12,534	0	0	0	0	-942	11,592
IfAp	9,290	0	0	0	0	0	9,290
CGM Denmark	8,361	0	0	0	0	16	8,377
CGM Systema Deutschland	7,653	0	-13	0	0	0	7,640
CGM Österreich	5,975	0	0	0	0	0	5,975
CGM LAB Sweden	4,622	0	0	0	0	-263	4,359
CGM Solution	4,479	0	0	0	0	0	4,479
Microbais	4,001	0	0	0	0	0	4,001
Innomed	3,789	0	0	0	0	0	3,789
Qualita in Farmacia	3,705	0	0	0	0	0	3,705
CGM Netherlands	3,144	0	0	0	0	0	3,144
CGM Dentalsysteme	2,905	0	0	0	0	0	2,905
CGM Belgium	2,342	0	0	0	0	0	2,342
HCS	2,258	0	0	0	0	0	2,258
Studiofarma	2,168	0	0	0	0	0	2,168
ÄND Ärztenachrichtendiest	1,147	0	0	0	0	0	1,147

CGU	01.01.2014 EUR '000 adjusted	Additions EUR '000	Disposals EUR '000	Impairment EUR '000	Reclassifications EUR '000	Exchange rate differences EUR '000	31.12.2014 EUR '000
CGM Ceska republika	1,361	0	0		0	-16	1,345
Tekne	1,224	0	0	-1,224	0	0	0
CGM Schweiz	946	0	0	0	0	8	954
Meditec	686	0	0	0	0	0	686
Intermedix France	543	0	0	0	0	0	543
CGM Slovensko	337	0	0	-337	0	0	0
CGM France	284	0	0	0	0	0	284
CGM LAB France	175	0	0	0	0	-5	170
CGM Turkey	81	0	0	0	0	4	85
Imagine	9,517	0	0	0	0	0	9,517
CGM LAB International (vormals Vision4Health)	0	3,925	0	0	0	0	3,925
Turbomed Vertriebs und Service	0	2,474	0	0	0	0	2,474
Farma3Tec/Mondofarma	0	4,482	0	0	0	0	4,482
Labelsoft		1,609	0	0	0	0	1,609
Total	**233,650**	**12,490**	**-13**	**-1,561**	**0**	**-110**	**244,456**

The transfers arise primarily as a result of changes in the organization of the cash-generating units. It is expected that the organizational changes resulting from the merger in the 2014 financial year will generate synergy effects. Divestitures from the Group did not take place during the reporting period.

c) Impairment test of goodwill

The DCF method is applied by discounting the future cash flows of the CGUs using the Budget 2014 figures for current financial position and performance and then verified using past values. Subsequently, the results are extended by four additional years using individual planning assumptions per CGU that reflect the Company's future development under current conditions. After the five-year planning period, a perpetuity value is calculated using a conservative Group-wide growth rate of 1.5 percent. To determine the present value of future cash flows, a discount rate based on WACC (Weighted Average Cost of Capital) is applied. The following table provides information on key assumptions used to compile the business plan:

Explanation of assumptions of corporate budgeting

Description of key assumptions of budgeting	Approach used to determine key assumptions
– Expected development of customer revenue (new customer, cross-selling-activities, winning of public tender)	Internal estimates referring to past experiences as well as expected market trends or market analysis. On availability, external market studies were considered.
– Expected possible price increase for existing customers affecting recurring revenue	
– Use of current and historical organic growth rates for Business Units or Segments	
– Consideration of regulatory changes affecting the development of a Business Unit	
– Development of purchased services based on current circumstances (e.g. based on contracts, strategic businesses) as well as the anticipated development of the sales activities	
– Expected development of personnel expenses and other operating expenses, based on future personnel requirement, contractual matters (e.g. labor agreements) and statistic procedures (e.g. inflation)	

The individual growth assumptions included here for calculating the 2013 and 2014 recoverable amounts of individual CGUs are as follows. The EBITDA margin resulting from the assumed growth projections is also listed to illustrate the plausibility of the assumptions made.

	EBITDA-Margin				Growth rate			
	2013		2014		2013		2014	
	Year 1	Following years	Year 1	Following years	Year 1	Following years	Year 1	Following years
Lauer-Fischer	23.2%	25.3%	15.2%	15.3%	-1.1%	3.5%	2.8%	3.7%
CGM Deutschland	31.2%	32.0%	33.9%	30.8%	-4.1%	5.4%	3.5%	4.7%
CGM Sweden	16.8%	19.2%	24.2%	24.0%	6.9%	2.7%	-2.4%	1.7%
CGM US	20.7%	24.9%	7.1%	13.5%	-6.7%	-0.2%	18.1%	4.6%
CGM Denmark	19.9%	20.3%	20.0%	19.5%	3.9%	2.9%	-1.2%	2.6%
Systema HIS	17.1%	17.3%	16.6%	16.4%	-12.3%	3.0%	-8.2%	3.9%
CGM Italy	46.3%	48.0%	45.1%	46.5%	16.7%	5.7%	16.7%	4.9%
Tekne	35.6%	35.3%	-11.1%	10.0%	206.8%	2.3%	58.5%	14.3%
Qualita in Farmacia	6.5%	9.8%	7.7%	7.8%	3.8%	5.2%	5.6%	2.0%
Studiofarma	12.8%	0.0%	19.0%	19.2%	10.6%	3.2%	10.1%	3.7%
CGM LAB France	-21.5%	11.9%	-56.3%	-8.5%	-22.0%	18.5%	63.2%	21.0%
EBM	5.8%	12.8%	7.1%	12.9%	27.3%	8.0%	48.4%	6.6%
Meditec	3.1%	16.8%	17.3%	18.9%	50.1%	14.0%	20.0%	5.0%
CGM Norway	22.2%	23.2%	12.0%	17.3%	1.9%	1.4%	11.1%	2.2%
Ifap	17.9%	16.1%	39.5%	37.6%	-3.5%	3.5%	-1.1%	2.3%
CG Österreich	27.4%	25.1%	25.1%	26.7%	-10.4%	2.0%	-7.2%	4.9%
CGM Turkey	13.1%	20.7%	18.7%	22.1%	-0.8%	-7.6%	-0.1%	-2.9%
Innomed	40.2%	42.3%	27.6%	29.3%	-1.1%	6.2%	4.2%	4.8%
CGM Solution	43.3%	45.4%	48.1%	49.1%	12.9%	4.6%	17.8%	4.8%
Imagine	n/a	n/a	34.8%	33.9%	n/a	n/a	16.3%	3.2%
CGM Netherlands	31.6%	34.0%	27.9%	29.6%	11.0%	4.7%	1.9%	5.0%
CGM Dentalsysteme	41.6%	41.5%	41.1%	42.3%	1.8%	3.8%	7.9%	5.0%
CGM Belgium	54.6%	56.7%	46.7%	48.0%	12.2%	7.6%	22.7%	4.7%
HCS	30.9%	31.7%	41.9%	43.0%	12.0%	2.6%	4.4%	4.9%
CGM Ceska republika	30.2%	32.3%	37.2%	38.1%	13.2%	3.3%	17.0%	4.8%
CGM Systema Deutschland	8.9%	15.5%	8.1%	7.6%	-3.9%	3.7%	0.1%	2.8%
CGM Poland	12.9%	13.3%	12.4%	14.9%	-1.1%	3.1%	-3.8%	1.8%
CGM Schweiz	5.0%	7.8%	5.6%	6.2%	10.0%	5.1%	22.2%	4.0%
CGM Lab Sweden	11.0%	13.8%	22.8%	23.4%	7.9%	2.8%	17.5%	2.3%
Intermedix France	25.4%	26.1%	37.2%	38.0%	2.9%	5.0%	32.3%	5.0%
CGM Slovensko	1.2%	5.3%	-5.3%	-0.4%	23.1%	4.7%	14.9%	5.8%
CGM France	16.4%	16.8%	8.4%	9.0%	7.4%	2.9%	25.4%	4.8%

The discount rates (WACC) used to calculate the recoverable amounts for 2013 and 2014 have been divided into WACC after tax and WACC before tax as follows:

	WACC (after tax)		WACC (after tax)	
	2013	2014	2013	2014
Lauer-Fischer	9.1%	8.3%	12.4%	11.4%
CGM Deutschland	9.1%	8.3%	12.6%	11.3%
CGM Sweden	9.1%	8.3%	11.3%	10.3%
CGM US	9.1%	8.3%	14.2%	11.7%
CGM Denmark	9.1%	8.3%	11.7%	10.6%
Systema HIS	9.1%	8.3%	11.7%	10.7%
CGM Italy	11.0%	10.2%	15.3%	14.2%
Tekne	9.1%	10.2%	11.8%	13.2%
Qualita in Farmacia	11.0%	10.2%	15.0%	14.3%
Studiofarma	11.0%	10.2%	15.3%	14.3%
CGM LAB France	9.5%	8.7%	12.3%	11.6%
EBM	9.1%	8.3%	12.0%	11.1%
Meditec	9.1%	8.3%	11.9%	11.2%
CGM Norway	9.1%	8.3%	12.1%	10.8%
Ifap	9.1%	8.3%	12.6%	11.4%
CG Österreich	9.1%	8.3%	11.8%	10.6%
CGM Turkey	11.3%	10.5%	13.7%	12.8%
Innomed	9.1%	8.3%	11.6%	10.6%
CGM Solution	9.5%	8.7%	13.5%	12.3%
Imagine	n/a	8.7%	n/a	12.5%
CGM Netherlands	9.1%	8.3%	11.7%	10.6%
CGM Dentalsysteme	9.1%	8.3%	12.6%	11.3%
CGM Belgium	9.7%	8.9%	13.8%	12.8%
HCS	9.1%	8.3%	11.7%	10.6%
CGM Ceska republika	9.8%	9.0%	11.8%	10.8%
CGM Systema Deutschland	9.1%	8.3%	12.2%	10.9%
CGM Poland	10.0%	9.2%	12.0%	11.0%
CGM Schweiz	9.1%	8.3%	11.1%	10.0%
CGM Lab Sweden	9.1%	8.3%	11.2%	10.3%
Intermedix France	9.5%	8.7%	13.5%	12.4%
CGM Slovensko	10.0%	9.2%	12.1%	13.8%
CGM France	9.5%	8.7%	13.5%	12.3%

During the financial year, CGUs “CGM Slovensko” and “Tekne” incurred impairments of EUR 1,561 thousand, which increased amortization of intangible assets in the financial year accordingly. The impairment incurred by CGU “CGM Slovensko” resulted from negative long-term business performance. In the case of the CGU Tekne, an impairment was incurred in spite of positive long-term growth assumptions, as these growth assumptions were not sufficient to guarantee a value in excess of the book value in relation to the assets and liabilities concerned. The impairments for these CGUs are made entirely in goodwill.

All other impairment tests showed a value in excess of the book value and did not result in any further value reductions of goodwill in the 2014 financial year.

A 0.5 percentage point lower growth rate in the perpetuity value would result in an impairment loss of EUR -403 thousand. If the growth rate were 0.5 percentage points lower, the Group-wide surplus would be reduced by EUR 73 million to EUR 676 million.

A 1 percentage point increase in WACC would necessitate impairment of EUR -5,346 thousand. With a 1 percentage point increase in WACC, Group-wide coverage would be reduced by EUR 172 million to EUR 576 million.

A 2 percentage point higher WACC would result in an impairment of EUR -14,897 million. The Group-wide surplus would then be reduced by EUR 306 million to EUR 443 million.

The need for impairment in the financial year, based on a DCF valuation with commencement of the perpetuity value after the first plan year, would amount to EUR -34,064 thousand. The Group-wide surplus would then be reduced by EUR 201 million to EUR 548 million.

Impairment charges that would arise from a change in the WACC, the growth rate of the perpetuity value as well as commencement of the perpetuity value after the first plan year, were allocated in the following table as shown:

EUR '000	Surplus of recoverable amount (Headroom)	Lower growth rate by 0.5% in the terminal value	Higher cost of capital (WACC) by 1 percent	Higher cost of capital (WACC) by 2 percent	Perpetuity value after the first plan year
CGM Systema D	7,624	0	0	0	-1,682
Meditec	37	-98	-279	-524	-543
CGM Schweiz	2,766	0	0	0	-358
EBM (formerly Dr. Ralle/ÄND)	65	-120	-366	-698	-1,147
CGM US	5,404	0	-2,725	-9,008	-23,592
CGM LAB France	11	-50	-121	-151	-151
CGM Denmark	4,141	0	0	-342	0
CGM Norway	1,148	-135	-1,855	-4,174	-6,591
Total	**21,196**	**-403**	**-5,346**	**-14,897**	**-34,064**

d) Acquired software, customer contracts and brands

Acquired software, customer contracts and brands, along with goodwill, constitute the bulk of intangible assets of CompuGroup Medical AG. The following table provides an overview of these assets as well as their useful lives:

	31.12.2014 EUR '000	31.12.2013 EUR '000	Amortization until
Software from acquisitions			
CGM Sweden	3,244	5,335	30.06.2016
CGM Norway	1,241	2,237	30.06.2016
CGM Denmark	1,151	1,515	30.06.2016
Lauer-Fischer	7,690	8,204	30.06.2021
CGM US (formerly Visionary Gruppe)	3,109	3,453	31.08.2020
Systema HIS	5,015	5,390	31.08.2021
CGM Turkey	1,207	2,363	31.12.2016
CGM US (formerly Noteworthy Gruppe)	2,528	2,760	28.02.2019
CGM US (formerly Healthport)	851	1,414	31.12.2016
CGM Netherlands	1,477	1,676	31.12.2018
CGM LAB International	5,437	0	31.12.2028
Imagine-Group	2,035	2,261	31.12.2023
other	14,479	16,538	
Total acquired software	**49,464**	**53,146**	
Customer contracts			
CGM Sweden	15,161	16,745	30.06.2038
CGM Norway	6,323	7,127	30.06.2038
CGM Denmark	4,584	4,754	30.06.2038
CGM US (formerly Visionary Gruppe)	20,321	18,742	31.08.2040
CGM Netherlands	9,250	9,828	31.12.2030

	31.12.2014 EUR '000	31.12.2013 EUR '000	Amortization until
Innomed	8,510	9,077	31.12.2029
CGM Italy (incl. Effepieffe)	6,886	4,103	30.06.2029
CGM US (formerly Healthport)	4,849	4,818	31.12.2024
Lauer-Fischer	13,702	14,339	30.06.2036
CGM Systema Deutschland	4,352	5,475	30.06.2028
CGM LAB International	9,991	0	31.12.2043
Qualita in Farmacia (incl. Puntofarma)	3,654	2,536	31.07.2026
Imagine-Group	11,776	12,396	31.12.2033
other	35,127	29,029	
Total customer contracts	**154,486**	**138,969**	
Brands			
CGM US (formerly Visionary Gruppe)	1,993	1,832	31.08.2018
Lauer-Fischer	2,468	2,848	30.06.2021
Systema HIS	2,361	2,723	31.08.2021
CGM Sweden	983	1,213	31.12.2020
CGM Netherlands	594	792	31.12.2017
CGM Systema Deutschland	1,053	1,588	30.08.2019
CGM LAB International	2,313	0	31.12.2033
other	3,480	4,547	
Total brands	**15,245**	**15,543**	

In 2014, as in 2013, there were no changes to the underlying useful lives of intangible assets.

e) Capitalized in-house software

In the 2014 financial year, EUR 9,202 thousand of in-house services (software development) was capitalized pursuant to the requirements of IAS 38. These were valued at directly attributable production costs. Amortization of capitalized software development costs was EUR 3,272 thousand in the reporting period. For more information about changes to intangible assets, refer to the separate appendix to the Notes "Changes in intangible assets and property, plant and equipment in the 2014 financial year".

f) Cumulative impairment charges

Intangible assets include cumulative impairment charges from the 2014 to 2008 financial years in the amount of EUR 11.8 million. The impairment charge in the 2008 financial year relates to CGU CGM Turkey (formerly "Tepe International") and is broken down as follows: goodwill (EUR 1.4 million), cooperation agreement (EUR 5.9 million) and software (EUR 0.8 million). The impairment charge in 2012 resulted from an extraordinary impairment charge of EUR 1.0 million on goodwill for CGU CGM South Africa. In the 2013 financial year, an extraordinary impairment charge of goodwill in the amount of EUR 0.9 million was recorded in CGU CGM Malaysia. Furthermore, the goodwill attributable to the "online portals" and "publishing business" segments, which are held for sale and classified as disposal groups, was impaired by EUR 0.2 million in the 2013 reporting year because the expected selling price (fair value less selling costs) was below the net of the attributable asset values of the business segments held for sale.

For the 2014 financial year, expenses from impairments to goodwill came to a total of EUR 1.6 million, EUR 1.2 million of which was attributable to CGU Tekne and EUR 0.4 million to CGU CGM Slovensko.

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

g) Intangible assets from company acquisitions

The following additions to software, customer relationships and brands resulted from business combinations during the 2014 reporting period:

	Asset Deal Visio4Health-Group EUR '000	Turbomed Vertriebs- und Service GmbH, Germany EUR '000	Turbomed-Center GmbH& Co. KG, Germany EUR '000	Farma3Tec-Gruppe, Italy EUR '000	Labelsoft Clinical IT B.V., Netherlands EUR '000	Other acquisitions EUR '000
Software	5,828	0	0	768	1,139	14
Customer relationships	10,333	1,338	1,030	5,633	3,467	2,597
Brands	2,434	0	0	318	156	0
Total	**18,595**	**1,338**	**1,030**	**6,719**	**4,762**	**2,611**

2. Property, plant and equipment

Overview of the development of property and equipment 31 December 2014:

	Purchase and production costs						Book value	
EUR '000	01.01.2014	Additions from acquisitions	Other Additions	Disposals and transfers	Exchange rate differences	31.12.2014	31.12.2014	01.01.2014
Land and buildings	53,202	5	520	-219	24	53,532	44,735	45,056
Other facilities, furniture and office equipment	36,528	857	6,752	0	728	44,865	17,089	15,363
Payments on account and assets under construction	804	0	436	-1,005	-6	229	229	804
Total	**90,534**	**862**	**7,708**	**-1,224**	**746**	**98,626**	**62,053**	**61,224**

Overview of the development of property and equipment 31 December 2013:

	Purchase and production costs						Book value	
EUR '000	01.01.2013	Additions from acquisitions	Other Additions	Disposals and transfers	Exchange rate differences	adjusted 31.12.2013	adjusted 31.12.2013	01.01.2013
Land and buildings	51,096	1,301	789	26	-10	53,202	45,056	44,695
Other facilities, furniture and office equipment	35,363	688	6,079	-4,584	-1,018	36,528	15,363	15,219
Payments on account and assets under construction	282	0	672	-152	2	804	804	282
Total	**86,741**	**1,989**	**7,540**	**-4,710**	**-1,026**	**90,534**	**61,224**	**60,196**

Additions to other assets, plant and office equipment are mainly based on extensions and renewals of data centers carried out by various subsidiaries. Impairments to property, plant and equipment were not recorded in 2014 or in 2013.

During the year, the Group did not capitalize borrowing costs for property, plant and equipment. For details on the development of property, plant and equipment, please refer to the separate annex to the Notes "Development of intangible assets and property, plant and equipment in the 2014 financial year".

3. Financial assets

a) Investments in associated companies at equity

Shareholdings in associated companies at equity	31.12.2014 EUR '000	adjusted 31.12.2013 EUR '000
Technosante Nord-Picardie	43	25
Medigest Consultores	589	556
AxiService Nice	28	7
CareTrace B.V.	66	–
Farmatica S.r.l.	60	–
Mediaface	68	49
Total	**854**	**637**

No further disclosures (particularly business activities and financial information) were made pursuant to IFRS 12, as all associated companies are of minor importance.

Other financial investments

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

Participations	31.12.2014 EUR '000	adjusted 31.12.2013 EUR '000
IC med EDV Systemlsg	26	25
AES Ärzteservice Schwaben	10	10
BFL	14	14
CD Software Lampertheim	58	54
Daisy-Net	3	3
Technosante Toulouse	4	4
Consalvo Servizi	5	0
Savoie Micro	20	20
Total	**140**	**130**

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

a) Corporation tax receivables and payables

	31.12.2014 EUR '000	adjusted 31.12.2013 EUR '000
Deferred tax assets	**5,133**	**8,547**
Benefit of tax losses to be carried back to recover taxes paid in prior periods	1,779	205
Deferred tax liabilities	3,354	8,342
Other	0	0
Deferred tax liabilities	**10,449**	**14,645**
Deferred tax liabilities	10,315	14,620
Other	134	25
Total	**5,316**	**6,098**

Corporation tax receivables (EUR 5,133 thousand; previous year: EUR 8,547 thousand) comprised current corporation tax receivables of the Group companies. Income tax payables (EUR 10,449 thousand; previous year: EUR 14,611 thousand) largely relate to current tax expenditure.

b) Deferred tax assets and liabilities

The amount of deferred tax assets and liabilities in the consolidated balance sheet as of 31 December 2014 is itemized in the following overview:

	01.01.2014		Recognized in profit or loss		Recognized in OCI		Acquisitions/Disposals		31.12.2014	
	Deferred tax assets EUR '000	Deferred tax liabilities EUR '000	Deferred tax assets EUR '000	Deferred tax liabilities EUR '000	Deferred tax assets EUR '000	Deferred tax liabilities EUR '000	Deferred tax assets EUR '000	Deferred tax liabilities EUR '000	Deferred tax assets EUR '000	Deferred tax liabilities EUR '000
Intangible assets	0	54,832	0	-4,140	0	0	0	4,132	0	54,824
Property, plant and equipment	1,845	984	-131	230	0	0	0	0	1,714	1,214
Financial assets	0	0	44	0	0	0	0	0	44	0
Inventories	0	0	0	0	0	0	0	0	0	0
Trade receivables	185	4,469	41	-412	0	0	0	0	226	4,057
Other financial assets	2,438	755	-1,299	-714	0	0	0	0	1,139	41
Provisions for post-employment benefits	958	22	-388	-22	1,082	0	199	0	1,851	0
Derivative financial instruments	2,337	1,817	1,447	0	-2,356	0	0	-1,817	1,428	0
Trade payables	187	1	19	-1	0	0	0	0	206	0
Other liabilities	3,834	2,665	-2,545	-965	0	0	0	0	1,289	1,700
Tax losses carried forward	7,922	0	-753	0	0	0	0	0	7,169	0
	19,706	**65,545**	**-3,565**	**-6,025**	**-1,274**	**0**	**199**	**2,315**	**15,066**	**61,835**
Offset vs. deferred tax liabilities	-17,942	-17,942	0	0	0	0	5,318	5,318	-12,624	-12,624
Total	**1,764**	**47,603**	**-3,565**	**-6,025**	**-1,274**	**0**	**5,517**	**7,633**	**2,442**	**49,212**

* Including changes due to currency effects.

In 2014, the deferred tax assets result primarily from tax losses carried forward. The largest item consists of deferred tax assets on losses carried forward by CompuGroup Medical Inc. (EUR 6,207 thousand) in the United States.

The amount of deferred tax assets and liabilities by balance sheet items in the consolidated balance sheet for the previous year's period to 31 December 2013 is derived from the following overview:

	01.01.2013		Recognized in profit or loss		Recognized in OCI		Acquisitions/Disposals		31.12.2013	
	Deferred tax assets EUR '000	Deferred tax liabilities EUR '000	Deferred tax assets EUR '000	Deferred tax liabilities EUR '000	Deferred tax assets EUR '000	Deferred tax liabilities EUR '000	Deferred tax assets EUR '000	Deferred tax liabilities EUR '000	Deferred tax assets EUR '000	Deferred tax liabilities EUR '000
Intangible assets	27	50,624	-27	-5,360	0	0	0	9,568	0	54,832
Property, plant and equipment	1,356	364	489	620	0	0	0	0	1,845	984
Financial assets	0	0	0	0	0	0	0	0	0	0
Inventories	0	0	0	0	0	0	0	0	0	0
Trade receivables	959	4,600	-774	-131	0	0	0	0	185	4,469
Other financial assets	438	217	2,000	538	0	0	0	0	2,438	755
Provisions for post-employment benefits	1,737	0	-656	22	-123	0	0	0	958	22
Derivative financial instruments	3,686	1,325		492	-1,349	0	0	0	2,337	1,817
Trade payables	74	0	113	1	0	0	0	0	187	1
Other liabilities	1,248	3,189	2,586	-524	0	0	0	0	3,834	2,665
Tax losses carried forward	8,832	0	-910	0	0	0	0	0	7,922	0
	18,357	**60,319**	**2,820**	**-4,342**	**-1,472**	**0**	**0**	**9,568**	**19,706**	**65,545**
Offset vs. deferred tax liabilities	-14,603	-14,603	0	0	0	0	-3,339	-3,339	-17,942	-17,942
Total	**3,754**	**45,716**	**2,820**	**-4,342**	**-1,472**	**0**	**-3,339**	**6,230**	**1,764**	**47,604**

* Including changes due to currency effects.

c) Tax loss carried forward

	31.12.2014	31.12.2013
Total losses carried forward	**139,505**	**119,337**
thereof tax deductible	18,950	20,187
thereof unused tax losses carried forward	34,341	26,390
thereof forfeitable	86,215	72,760

The recognized loss carried forward of EUR 18,950 thousand (previous year: 20,187 thousand) can currently be carried forward and used for an indefinite period. Unrecognized tax losses carried forward exist as of year-end in several foreign subsidiaries because the probability that they can be recovered has been judged as limited. Depending on the revenues situation and tax legislation, the current assessment may necessitate further adjustment in future years. No deferred tax assets were recognized for tax losses carried forward of EUR 34,341 thousand (previous year: EUR 26,390 thousand) as it is likely that tax losses carried forward cannot be used within the scope of tax-related earnings planning. Loss carried forward of EUR 86,215 thousand (previous year: EUR 72,760 thousand) can no longer be recovered. The vast majority of tax loss carried forward comes from the foreign subsidiary CompuGroup Medical Inc. in the United States.

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

Deferred taxes are distributed as follows based on their expected future recoverability:

	Deferred tax assets		Deferred tax liabilities	
Applicability of deferred taxes	31.12.2014 EUR '000	31.12.2013 (adjusted) EUR '000	31.12.2014 EUR '000	31.12.2013 (adjusted) EUR '000
Utilization expected within 12 months	324	1,234	6,531	6,887
Utilization expected after more than 12 months	2,118	530	42,681	40,716
Total	**2,442**	**1,764**	**49,212**	**47,603**

5. Inventories

	31.12.2014 EUR '000	adjusted 31.12.2013 EUR '000
Raw materials and supplies	135	69
Products	5,742	4,116
Total	**5,877**	**4,185**

Inventories are mostly hardware components. Write-downs of inventories developed as follows:

	31.12.2014 EUR '000	adjusted 31.12.2013 EUR '000
Inventories as of 1 January	**4,185**	**3,317**
Changes in the scope of consolidation	5	628
Changes in inventory	1,425	377
Write-downs in the reporting period	-153	-368
Reversal write-downs/Utilization	441	231
Changes in exchange rate	-26	0
Inventories as of 31 December	**5,877**	**4,185**

6. Trade receivables

In the financial year, adjustments (including derecognition) were made in the amount of EUR 3,693 thousand (previous year: EUR 1,596 thousand).

Specific bad debt provisions are based on the age of receivables throughout the Group. There are exceptions to the specific bad debt provisions based on aging. This includes significant receivables in business areas where regular long-term contractual relationships exist (e.g. hospital business, ASP service). Such receivables are tested individually for impairment on a case-by-case basis.

Doubtful debts are always impaired individually. The trade receivables value, reduced for specific loss of provision, is a close reflection of the fair value of the receivables because of their short-term nature. Receivables that are deemed to be of minor importance as well as receivables of similar default risk are grouped together and analyzed using historical values to test for impairment. Due to the breadth of its customer base as well as the non-existence of correlations, no significant concentration of credit risk has been found for CGM Group.

a) Trade receivables (regions)

	31.12.2014 EUR '000	adjusted 31.12.2013 EUR '000
Trade receivables (without PoC)	77,763	73,324
thereof domestic	25,116	30,787
thereof foreign	52,647	42,537
Trade receivables PoC	27,329	11,452
thereof domestic	16,199	248
thereof foreign	11,130	11,204
Total	**105,092**	**84,776**

b) Age of receivables, breakdown of provisions

	31.12.2014 EUR '000	adjusted 31.12.2013 EUR '000
Trade receivables	**105,092**	**84,776**
thereof not overdue and not impaired	54,023	43,863
thereof overdue but not impaired		
– overdue 0 – 3 months	14,351	12,461
– overdue 4 – 6 months	1,445	2,228
– overdue 7 – 12 months	2,200	3,204
– overdue 12 – 18 months	1,635	2,523
– overdue 18 – 24 month	2,286	141
– overdue more than 24 month	2,086	1,939
thereof impaired	35,277	24,110
Specific provisions	**-8,211**	**-5,693**

The receivables presented above include amounts that are past due at the reporting date, for which the CGM Group has not recognized any impairment losses. This is due to the creditworthiness of customers and that the collectability and value of the outstanding amounts are regarded as persistent. The fair value of the reporting date of past due but not impaired receivables greater than twelve months amounted to EUR 5,395 thousand (previous year: EUR 4,148 thousand).

Changes to specific provisions in the reporting period are shown in the following table:

	2014 EUR '000	adjusted 2013 EUR '000
Specific provisions 01.01.	5,693	6,117
Utilization	-1,097	-2,779
Reversal	-416	-976
Addition	3,693	2,979
Additions from company acquisitions	338	352
Individual value adjustments 31.12.	**8,211**	**5,693**

* Exchange rate related changes in individual value adjustments are not disclosed separately for reasons of materiality.

With respect to the trade receivables that are neither impaired nor past due, there are no indications as of the reporting date that the debtors will not meet their payment obligations.

c) Receivables from the percentage of completion method (PoC)

	31.12.2014 EUR '000	adjusted 31.12.2013 EUR '000
Contract costs incurred and recognized contract profits	27,329	11,452
– less recognized losses	-1,076	0
– less advance payments received	-2,136	-1,952
Total	**24,117**	**9,500**

Receivables from contracts recognized under the PoC method totaled EUR 27,329 thousand (previous year: EUR 11,452 thousand), less reported losses of EUR 1,076 thousand (previous year: EUR 0) and projects with a payment backlog amounting to EUR 2,136 thousand (previous year: EUR 1,952 thousand) that are classified under other financial liabilities. These relate to projects in the Hospital Information Systems business. Additionally, EUR 15,000 thousand was attributable to the "gematik" project. The cost-to-cost method was used to determine the degree of completion.

d) Receivables from financial leases

Lauer-Fischer GmbH offers its clients the leasing of hardware (including all peripheral devices) for up to five years. Income from the leases of Lauer-Fischer GmbH is recognized in the income statement as sales revenue. The contracts are classified as finance leases (IAS 17.10). The following table provides an overview of Lauer-Fischer GmbH's financing lease receivables among the designated trade receivables.

	31.12.2014			adjusted 31.12.2013		
	Future minimum lease payments EUR '000	Interest component EUR '000	Present value of future leasing receivables EUR '000	Future minimum lease payments EUR '000	Interest component EUR '000	Present value of future leasing receivables EUR '000
< 1 year	5,394	723	4,671	6,304	744	5,560
1 – 5 years	9,734	1,588	8,146	10,509	1,611	8,898
> 5 years	0	0	0	0	0	
Total	**15,128**	**2,311**	**12,817**	**16,813**	**2,355**	**14,458**

7. Other financial assets

Other financial assets are broken down as follows:

	31.12.2014		adjusted 31.12.2013	
Other financial assets	Short-term EUR '000	Long-term EUR '000	Short-term EUR '000	Long-term EUR '000
Leasing receivables	0	1,080	0	98
Long-term loans	2,150	1,341	1,006	1,086
Asset value of liability insurance	0	181	0	139
Other financial assets	1,485	187	1,717	508
Total	**3,635**	**2,789**	**2,723**	**1,831**

The following aging analysis provides information on the maturities and impairments in other financial assets:

31.12.2013	31.12.2014 EUR '000	adjusted 31.12.2013 EUR '000
Book value – Other financial assets	**6,424**	**4,554**
thereof not overdue and not impaired	6,200	4,538
thereof overdue but not impaired		
– overdue 0 – 3 months	201	0
– overdue 4 – 6 months	3	0
– overdue 7 – 12 months	1	0
– overdue 12 – 18 months	0	16
– overdue 18 – 24 months	1	0
– overdue more than 24 months	18	0
thereof impaired	0	0

The fair value of the past due but not impaired other financial assets corresponds approximately to the book value at the reporting date.

In 2009, Systema HIS, Austria, carried out a sale and lease-back transaction with a leasing company. The resulting lease liabilities are disclosed in other liabilities at their present value of EUR 1,130 thousand as of 31 December 2014. Following this transaction, the leased asset was sub-leased to a customer of Systema HIS. The resulting lease receivable as of 31 December 2014 will be reported at a present value of EUR 1,080 thousand under trade receivables. As a result, Systema Austria is acting both as a lessee towards the leasing company and as a lessor towards the customer. The following table gives an overview of the financial lease receivables of Systema HIS recognized in current other financial assets:

	31.12.2014			31.12.2013		
Financial Lease Receivables	Future minimum lease payments EUR '000	Interest component EUR '000	Present value of future leasing receivables EUR '000	Future minimum lease payments EUR '000	Interest component EUR '000	Present value of future leasing receivables EUR '000
<1 year	326	77	249	157	7	150
1 – 5 years	1,118	137	981	100	2	98
>5 years	0	0	0	0	0	0
Total	**1,444**	**214**	**1,230**	**257**	**9**	**248**

8. Other non-financial assets

Other non-financial assets are broken down as follows:

	31.12.2014 current EUR '000	adjusted 31.12.2013 current EUR '000
Security deposit	515	445
Input tax surplus receivable	0	485
Prepayments for future periods	5,902	5,519
Prepayments for merger and acquisitions	0	781
Other	3,079	1,541
Total	**9,496**	**8,771**

As in the previous year, there were no non-current non-financial assets at the balance sheet date.

9. Securities (recognized at fair value in income)

Securities only consist of short-term fixed interest securities held by Group subsidiary Systema HIS, Austria. These are measured at fair value.

10. Cash and cash equivalents

	31.12.2014 EUR '000	adjusted 31.12.2013 EUR '000
Cash and cash equivalent	21,465	23,453
Restricted cash	0	0
Total	**21,465**	**23,453**

Positive balances at banks relate to current accounts and earn interest of up to 0.1 – 0.5 percent per year. Changes in cash and cash equivalents are detailed in the cash flow statement.

11. Equity

a) Subscribed capital

The Company's subscribed capital is composed as follows:

	31.12.2014 EUR '000	adjusted 31.12.2013 EUR '000
Issued and fully paid ordinary shares		
53,219,350 nominal shares of €1.00 each	53,219	53,219
Authorized capital		
26,609,675 nominal shares of €1.00 each	26,610	26,610

(i) Issued and fully paid ordinary shares

The Company has only one class of shares. These do not automatically entitle shareholders to dividends. The share capital is divided into 53,219,350 bearer shares with the securities ID number 543730 (ISIN: DE0005437305).

(ii) Approved 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.

(iii) Conditional capital

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

b) Treasury shares

As of 31 December 2014, CompuGroup Medical AG held 3,495,731 treasury shares which is equivalent to 6.57 percent of equity capital. The calculated value attributable to share capital is EUR 3,495,731. The number of company shares is based on the following acquisitions and divestitures:

Financial Year	Buyback program period	Number of shares	Purchase price interval	Average weighted purchase price per share
2007		532,350		
2008	23 January – 18 April 2008	500,000	EUR 8.6430 to 12.6788	EUR 10.3276
2008	22 July – 14 October 2008	500,000	EUR 3.8243 to 5.4881	EUR 4.8426
2008	15 October – 30 December 2008	428,736	EUR 3.1519 to 4.4279	EUR 3.8849
2009	5 January – 31 March 2009	403,876	EUR 3.4100 to 4.7402	EUR 4.0810
2009	1 April – 27 May 2009	500,000	EUR 3.8357 to 4.5988	EUR 4.1578
2009	4 June – 31 December 2009	125,746	EUR 4.1853 to 6.0000	EUR 5.6852
2010		**no buyback**		
2011	17 August – 31 December 2011	225,553	EUR 7.6496 to 9.3140	EUR 8.3033
2012	2 January – 30 June 2012	101,835	EUR 8.4429 to 9.9764	EUR 8.8488
2012	9 July – 31 December 2012	282,843	EUR 11.30 to 14.00	EUR 13.2397
2013	18 December 2013 (Issue)	-105,208		EUR 5.7643
2014		**no buyback**		
Total		**3,495,731**		

In accordance with a resolution by the Annual General Meeting on 14 May 2009, the Management Board was authorized to acquire treasury shares. This authorization was valid until 14 November 2010. By resolution of the Annual General Meeting on 19 May 2010, it was terminated and replaced by a new authorization. According to Section 71 (1) No. 8 Aktiengesetz (AktG – German Stock Corporation Act), which was amended by the Gesetz zur Umsetzung der Aktionärsrechterichtlinie (ARUG – Law on the Implementation of the Shareholder Rights Directive), an authorization is allowed to last up to five years.

In accordance with a resolution of the Annual General Meeting of 19 May 2010, the company was authorized to purchase up to 10 percent of the share capital in accordance with Section 71 Paragraph 1 No. 8 AktG. At no time may the purchased shares, together with the other treasury shares the Company holds or is due under Sections 71d and 71e AktG, exceed 10 percent of the share capital at the time of the resolution. The acquisition may also be carried out by Group companies that are dependent on the Company within the meaning of Section 17 AktG or by third parties on their behalf. This authority may not be utilized for the purposes of trading in shares.

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

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

1) If the share purchase is performed on the stock exchange, the purchase price for one share may not be more or less than 10 percent of the Company's unweighted average share price, as calculated by the closing auction of the Xetra trading system (or a corresponding successor system) on the Frankfurt am Main stock exchange in the five trading days prior to the purchase date.
2) If the share purchase is performed through a public purchase offer to all shareholders or through a public invitation to all shareholders to submit sales offers, the purchase price for one share (without ancillary purchase costs) may not be more or less than 20 percent of the Company's unweighted average share price, as calculated by the closing auction of the Xetra trading system (or a corresponding successor system) on the Frankfurt am Main stock exchange in the five trading days prior to the public notification of the invitation to submit such an offer.
3) The purchase offer or invitation to submit sales offers may stipulate further conditions. If the purchase offer is oversubscribed or, in the case of an invitation to submit sales offers, not all offers from among several equivalent offers can be accepted, offers must be accepted in proportion to the respective shares offered. In such cases, low numbers of shares tendered with up to 100 shares per shareholder and rounded in accordance with commercial principles may be given preferential treatment.

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

1) With the approval of the Supervisory Board they may be sold on the stock exchange or offered to all shareholders. With the approval of the Supervisory Board, they may be sold by other means provided the consideration for the sale is in cash and the sales price at the time of sale is not significantly lower than the share price for the same class share on the stock exchange. The total proportion of the shares sold under this authorization in relation to the total share capital, together with the proportion of the share capital of new shares that have been issued since the shareholders' resolution for this authorization, i.e. since 19 May 2010, due to any authorizations for share issues from authorized capital in accordance with Section 186 Paragraph 3 Sentence 4 AktG, may not exceed 10 percent of the Company's share capital.
2) With the approval of the Supervisory Board they may be offered and transferred to third parties for the purposes of direct or indirect acquisition of companies, Company shares or equity investments in companies.
3) With the approval of the Supervisory Board they may be offered and sold as consideration, so that the Company or one of its subsidiaries 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 cancellation. Notwithstanding the above, the Management Board may decide not to reduce equity but instead raise the percentage of other equity shares in accordance with Section 8 Paragraph 3 AktG. In this case, the Management Board is entitled to amend the number of shares cited in the articles of association.

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

Shareholders' subscription right to treasury shares is excluded insofar as thesis shares are used according to the above authorizations in (1) to (4).

c) Reserves (equity reserves, retained earnings and dividends in respect of equity instruments)

The following changes apply to CGM Group's reserves:

Change in general reserves	31.12.2014 EUR '000	adjusted 31.12.2013 EUR '000
Balance as at 1 January	**168,792**	**161,843**
Group net income	26,337	23,147
Actuarial gains and losses	-2,887	338
Dividend distribution	-17,403	-17,366
Additional purchase of shares from minority interests after control	-11,127	-73
Change in scope of consolidation	190	-486
Issue of own shares	0	1,389
Balance as at 31 December	**163,902**	**168,792**

The main developments in 2014 were as follows:

The consolidated net income for the period of EUR 26,336 thousand (previous year: EUR 23,147 thousand) was transferred to reserves.

By resolution of the Annual General Meeting of 15 May 2014, a dividend of EUR 17,403 thousand (previous year: EUR 17,366 thousand) was issued to shareholders which corresponds to a dividend of EUR 0.35 (previous year: EUR 0.35) per dividend-bearing share.

Furthermore, additional purchases of shares from minority interests after majority ownership had been attained reduced reserves by EUR -11,127 thousand (previous year: EUR -73 thousand).

In addition, the actuarial result decreased reserves to EUR -2,887 thousand (equity reserves, retained earnings and dividends in respect of equity instruments).

If a final dividend is recommended, it will be conditional on shareholder approval at the Annual General Meeting in 2015. Consequently, it will not be recorded as a liability in the consolidated financial statements. There are no corporation tax effects for the Company resulting from dividend payments. The size of the dividend depends exclusively on the single-entity financial statements of CompuGroup Medical AG. For 2014, the year under review, EUR 0.35 will most likely be proposed as the dividend per dividend-bearing share, which corresponds to a total amount of EUR 17,304 thousand.

d) Reserves from hedging transactions (cash flow hedge accounting)

Reserves from hedging transactions	31.12.14 EUR '000	adjusted 31.12.2013 EUR '000
Balance as at 1 January	**-5,457**	**-8,604**
Changes in the fair value of cashflow hedges		
Interest rate swap	7,852	4,496
Income tax related to gains/(losses) recognized in OCI	-2,355	-1,349
Balance as at 31 December	**40**	**-5,457**

The reserve from hedging transactions includes gains or losses on the effective portion of cash flow hedges that have arisen due to changes in the fair value of the hedging transactions. The cumulative gain or loss from changes in the fair value of the hedging instrument that was recognized in the reserve from hedging transactions is only recognized in the income statement when the hedged transaction has an impact on the income statement.

e) Reserves from foreign currency conversion

Reserves from currency conversion	31.12.2014 EUR '000	adjusted 31.12.2013 EUR '000
Balance as at 1 January	**-7,493**	**-6,176**
Currency conversion differences	-11,487	-1,316
Realized gains and losses	0	0
Balance as at 31 December	**-18,980**	**-7,492**

Exchange differences arising from the conversion of the functional currency of foreign operations into the Group's reporting currency (EUR) are recognized directly in the consolidated financial statements under other comprehensive income and accumulated in the foreign currency conversion reserve. Conversion differences which were recognized earlier in the foreign currency conversion reserve (conversion of net assets of foreign operations) are transferred to the income statement when a partial or complete sale of the foreign operation has been performed.

f) Non-controlling interests

Non-controlling interests by company

Non-controlling Interests	31.12.2014 EUR '000	adjusted 31.12.2013 EUR '000
CGM South Africa	-260	-85
Privadis	0	-226
Ifap Neu-Golm	0	18
KoCo Connector AG	-308	-4,247
IS Informatiksysteme	441	387
SF Sanità und Farloyalty	86	51
Total	**-41**	**-4,102**

Changes in non-controlling interests in the 2014 financial year

	31.12.2014 EUR '000	adjusted 31.12.2013 EUR '000
Balance as at 1 January	**-4,102**	**28**
Share of profit for the year	-2,241	-1,429
Payments by third-party shareholders	0	125
Addition from changes in consolidation scope KoCo Connector AG	0	-3,176
Addition from changes in consolidation scope IS Informatiksysteme	0	315
Addition from acquisitions (SF Sanità and Farloyalty)	0	199
Addition CGM South Africa	-128	0
Additional purchase of shares from minority interests after control (Studiopharma s.r.l.)	6,430	-164
Balance as at 31 December	**-41**	**-4,102**

Acquisition of further interests in subsidiaries

In the 2014 financial year, the CGM Group performed the following transactions with non-controlling shareholders:

Additional shares in ifap Institut für Unternehmensberatung und Wirtschaftsdienste im Gesundheitswesen GmbH, Neu-Golm

In August 2014, the CGM Group acquired the remaining 7 percent of shares in ifap Institut für Unternehmensberatung und Wirtschaftsdienste im Gesundheitswesen GmbH based in Neu-Golm. The purchase price amounted to EUR 115 thousand and was paid fully in cash. The carrying amount of the non-controlling shares stood at EUR 17 thousand at the time of acquisition. The CGM Group derecognized the non-controlling shares in the amount of EUR 17 thousand and recognized a reduction in the equity entitlement of the parent company's shareholders in the amount of EUR 98 thousand.

Equity transaction with KoCo Connector AG, Berlin as a result of the call option on shares being exercised

In November 2014, the CGM Group exercised its existing call option on 90 percent of the share capital of KoCo Connector AG. Following the expiry of the right of refusal for the exercising of the call option on the part of non-controlling shareholders, which amounted to one month

following the exercising of the call option by the CGM Group, the CGM Group acquired 90 percent of the shares for a contractually agreed strike price of EUR 45 thousand in December 2014. The purchase price had not yet been paid as of 31 December 2014. Prior to the exercising of the call option, the CGM Group's shareholding in KoCo Connector AG amounted to 0 percent. Midway through December 2014, a further 5 percent of share capital was acquired at a price of EUR 150 thousand. The carrying amount of the non-controlling shares stood at EUR -5,695 thousand at the time of acquisition. The CGM Group derecognized the non-controlling shares in the amount of EUR -5,695 thousand and recognized a reduction in the equity entitlement of the parent company's shareholders in the amount of EUR -10,129 thousand.

Additional shares in Privadis GmbH, Cologne
In December 2014, the CGM Group acquired the remaining 49.99 percent of shares in Privadis GmbH. The purchase price was EUR 1. In addition, the shareholder loans granted by non-controlling shareholders to Privadis GmbH amounting to EUR 631 thousand are to be paid back. As of the balance sheet date, the purchase price had not been paid and the shareholder loans from non-controlling shareholders had not been paid back. The carrying amount of the non-controlling shares stood at EUR -752 thousand at the time of acquisition. The CGM Group derecognized the non-controlling shares in the amount of EUR -752 thousand and recognized a reduction in the equity entitlement of the parent company's shareholders in the amount of EUR -752 thousand.

The effects of the changes in the CGM Group's shareholding in ifap Institut für Unternehmensberatung und Wirtschaftsdienste im Gesundheitswesen GmbH, KoCo Connector AG and Privadis GmbH on the equity entitlement of the parent company's shareholders during the 2014 financial year is as follows:

	2014			2013
EUR '000	ifap Institut für Unternehmensberatung und Wirtschaftsdienste im Gesundheitswesen GmbH	KoCo Connector AG	Privadis GmbH	
Book value of acquired non-controlling interests	17	-5,695	-752	n/a
Purchase price paid to non-controlling shareholders	115	4,239	0	n/a

12. Retirement plans and provisions for post-employment benefits
Benefits provided by CGM Group's pension scheme consist of defined benefit and defined contribution plans for employees in Germany, the Netherlands, Austria, Switzerland and the United States.

a) Defined contribution plans
In Germany, all employees in the Group companies are offered a defined contribution plan under the German statutory pension insurance, which the employer is required to contribute to. The employer contribution is tied to the current contribution rate of 9.45 percent (employer's share) in relation to the pension-based employee remuneration. In addition, the CGM Group offers occupational pension schemes (direct insurance) in the form of deferred compensation without increasing employer payments.

Furthermore, there are defined contribution plans (401k plans as direct insurance) for employees in the United States. Through its 401k plan, our subsidiary in the United States pays deferred compensation elements for employees into certain tax-advantaged retirement savings plans (retirement plans) which are offered by financial institutions. With the 401K plans, employees have a portion of their remuneration transferred to the savings plan with employers having the option of increasing their contributions. An increase in employer payments is not currently offered by the US subsidiary.

In addition to receiving this benefit, eligible employees in other countries, such as Austria or the Netherlands, benefit from respective country-specific regulations or other individual agreements.

The expenses of EUR 16,787 thousand (previous year: EUR 15,425 thousand) recognized in income statement represent CGM Group's contributions to these defined contribution plans in accordance with the contributions stipulated therein.

b) Defined benefit plans
CGM Group offers defined benefit plans for employees in Germany, Switzerland and the Netherlands.

CompuGroup Medical Deutschland AG has non-forfeitable pension obligations to current and former employees. The Company has pledged firmly guaranteed retirement and disability pensions to former employees upon reaching retirement age. Moreover, in case of a former employee passing away, surviving dependents are entitled to a lump-sum payment. For two active employees of CompuGroup Medical Deutschland AG, there are guaranteed retirement and disability pension commitments effective at the time of retirement. In case of these employees passing away, surviving dependents are entitled to 60 percent of the guaranteed pension. Another six active employees of CompuGroup Medical Deutschland AG have received firm commitments for fixed benefits at retirement age. These employees have not been guaranteed disability pension commitments or death benefits. The agreed retirement age for all current and former employees entitled

to benefits is 65 years. In the event of early retirement of current and former employees who are entitled to benefits, the agreed benefits are reduced by 0.5 percent per month until the agreed retirement age of 65 has been reached.

Employees at subsidiary CGM Schweiz AG are granted pensions financed by a pension fund consisting of employer and employee contributions and income generated on investments. Due to the inclusion of statutory minimum pension provision pursuant to Swiss law through BVG (Swiss occupational pension plans), the pension plan is recognized as a defined benefit plan. All provisions are non-forfeitable. Under the legal requirements, the employer is obliged to make employer contributions that enable the pension fund to finance the minimum level of provision. The pension fund is managed through a trust board comprising employee and employer representatives, which manages and monitors the benefit plan and asset investment.

In the Netherlands, the Company offers defined benefit commitments depending on salary and years of service. The details of the pension plan are listed in the following table:

Eligibility requirements	All employees older than 21 years
Normal retirement age	Age 65
Early retirement age	Not applicable
Pensionable	12 times fixed monthly salary including holiday allowance, with a maximum of EUR 220,500
Offset	The part of the salary with no pension accrual
Pension Base	Pensionable salary less offset
Pensionable service normal retirement	Number of (part-time weighted) years from beginning of service until normal retirement age (maximized on 44 years)
Indexation Actives	Unconditional based on wage inflation
Indexation Deferred/Pensioners	Unconditional based on price inflation

Pension scheme	Average pay system
Retirement pension	Sum of 2.25 percent times pension base per year
Survivor's pension	54.44 percent of retirement pension (fully funded)
Orphans's pension	10.89 percent of retirement pension
Waiver of premium disability	Yes

As of 30 June 2013, the defined benefit pension plan for the Dutch subsidiary's active employees was changed. All active employees were transferred to a defined benefit plan. For former employees entitled under the defined benefit pension, the commitment remains unchanged.

Furthermore, there are also severance payment provisions for the majority of Austrian employees (pursuant to Section 23 Angestelltengesetz (Salaried Employees Act) and Section 2 Arbeiterabfertigungsgesetz (Employees Severance Pay Act), which, in accordance with IAS 19, are to be considered post-employment benefits. These severance payment provisions generally correspond to a severance payment in relation to payments that eligible employees receive at the point of departure from the company. Payment of the severance pay entitlement is also impacted by the reason for the employee's resignation. In addition, surviving dependents will be paid 50 percent of existing severance payment benefits. Likewise, similar provisions have been set aside in other foreign subsidiaries for statutory programs such as the TFR Fund (Italian Civil Code Article 2120) in Italy which are to be considered post-employment benefits in accordance with IAS 19. Essentially, the TFR fund is equivalent to severance pay in relation to payments which eligible employees receive at the point of departure from the company.

The present value of the defined benefit obligation from the underlying plan is determined using a discount rate based on the yields from prime fixed-rate corporate bonds. The discount rate used by the CGM Group is based on the iBoxx indices which are applied to the defined benefit obligation with matching maturities.

In general, CGM Group is exposed to the following actuarial risks with regard to the existing CGM Group benefit plans:

- **Longevity risk:** The present value of the defined benefit obligation for the corresponding benefit plans is determined based on the best estimate of the probability of death of each beneficiary both during employment and after termination. An increase in the life expectancy of eligible employees leads to an increase in the plan liability.
- **Salary risk:** The present value of the defined benefit obligation for appropriate benefit plans is determined based on the expected future salaries of eligible employees. Accordingly, salary increases raise the benefit obligation associated with the plan.
- **Inflation risk:** An increase in the long-term inflation assumption would primarily affect the expected pension increase and the expected increase in pensionable salaries.

Risks arising from the payment of benefits to family members (surviving dependent benefits) of eligible employees are partially reinsured by an external insurance company.

Provisions for post-employment benefits are accounted for using the current pension reports, all of which were compiled by external service providers (actuaries).

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

Principle Assumptions used for the purposes of the actuarial valuations were as follows:	Germany		Austria		Netherlands		Italy		France		Switzerland	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013	31.12.2014	31.12.2013	31.12.2014	31.12.2013	31.12.2014	31.12.2013	31.12.2014	31.12.2013
Discount rate(s) in %	1.5	3.0	1.8	3.6	2.6	4.0	1.7	3.4	2.0	3.0	1.3	n/a
Expected rate(s) of salary increase in %	n/a	n/a	2.0	3.3	n/a	2.5	3.0	2.0	2.7	1.3	1.5	n/a
Pension growth rate(s) in %	2.0	2.0	n/a	n/a	1.8	2.0	n/a	n/a	n/a	n/a	0.0	n/a

Domestic pension obligations are based on the typical mortality rates applied in Germany (according to Heubeck 2005 G). For the Netherlands, pension obligations are based on the mortality rates according to the "AG Prognosetafel 2012-2062".

The amounts recognized in other comprehensive income for the defined benefit plans are as follows:

	31.12.2014 EUR '000	adjusted 31.12.2013 EUR '000
Service cost:		
Current service cost	1,223	937
Past service cost and (gain)/loss from settlements	386	-2,930
Net interest expense	**378**	**145**
Components of defined costs recognised in profit or loss	**1,987**	**-1,848**
Remeasurement on the net defined benefit liability:		
Return on plan assets (excluding amounts included in net interest expense)	-1,270	659
Actuarial gains and losses arising from changes in demographic assumptions	-47	-162
Actuarial gains and losses arising from changes in financial assumptions	5,707	-1,011
Actuarial gains and losses arising from experience adjustments	-421	53
Adjustments for restrictions on the Defined benefit asset	0	0
Components of defined benefit costs recognised in other comprehensive income	**3,969**	**-461**
Total	**5,956**	**-2,309**

The current annual cost of EUR 1,987 thousand (previous year: EUR -1,848 thousand) is recognized in full in the personnel expenses of CGM Group. Defined benefit expenses arising from the revaluation of net liability for defined benefit plans in the amount of EUR 4,035 thousand (previous year: EUR -461 thousand) were recognized in other comprehensive income.

The defined benefit obligations developed as follows in the financial year:

	Present value of pension commitment EUR '000	Fair value of plan assets EUR '000	Total EUR '000
Balance as at 1 January 2013	**14,805**	**-3,925**	**10,880**
Current service costs	937	0	937
Interest income/cost	184	-39	145
Remeasurement (gains)/losses:			0
Return on plan asset (excluding amounts included in net interests)	0	659	659
Actuarial gains and losses arising from changes in demographic assumptions	-162	0	-162
Actuarial gains and losses arising from changes in financial assumptions	-1,011	0	-1,011
Actuarial gains and losses arising from experience adjustments	53	0	53
Past service cost, including losses/(gains) on curtailments	0	0	0
Payment of debts/disposal of assets by plan settlement	-5,358	2,428	-2,930
Liabilities assumed in a business combination	2,188	0	2,188
Exchange rate differences on foreign pension plans	-18	0	-18
Benefits paid	-208	256	48
Contributions from the employer	0	-289	-289
Contributions from plan participant	80	-80	0
Balance as at 31 December 2013 – adjusted	**11,490**	**-990**	**10,500**
Balance as at 1 January 2014	**11,490**	**-990**	**10,500**
Current service costs	1,223	0	1,223
Interest income/cost	512	-134	378
Remeasurement (gains)/losses:	0	0	0
Return on plan asset (excluding amounts included in net interests)	0	-1,270	-1,270
Actuarial gains and losses arising from changes in demographic assumptions	-47	0	-47
Actuarial gains and losses arising from changes in financial assumptions	5,707	0	5,707
Actuarial gains and losses arising from experience adjustments	-421	0	-421
Past service cost, including losses/(gains) on curtailments	386	0	386
Payment of debts/disposal of assets by plan settlement	0	0	0
Liabilities assumed in a business combination	1,484	0	1,484
Liabilities assumed in mergers and transfers	251	0	251
Exchange rate differences on foreign pension plans	42	-15	27
Benefits paid	-670	232	-438
Contributions from the employer	0	-353	-353
Contributions from plan participant	0	0	0
Balance as at 31 December 2014	**19,957**	**-2,530**	**17,427**

The fair values of plan assets (defined benefit obligations for Germany and the Netherlands) are entirely attributable to the asset class "reinsurance". The existing "reinsurance" assets can be described as "qualifying insurance policies" and are therefore plan assets that are not traded in a liquid market.

The average weighted duration of the pension obligation is 8 years for Germany, 28 years for the Netherlands, 20 years for Austria, 15 years for Italy, 18 years for France and 9 years for Switzerland.

Changes in provisions for post-employment benefits in the last five years are shown in the following table:

	31.12.2009 EUR '000	31.12.2010 EUR '000	31.12.2011 EUR '000	31.12.2012 EUR '000	adjusted 31.12.2013 EUR '000	31.12.2014 EUR '000
Present value of pension commitment	1,478	3,183	8,432	14,805	11,490	19,982
Present value of plan assets	-602	-608	-2,667	-3,925	-990	-2,555
Shortfall	876	2,575	5,765	10,880	10,500	17,427

A total EUR 670 thousand (previous year: EUR 682 thousand) is expected to be paid into pension plans in the 2015 financial year. These contributions will be recognized as expenses in the income statement.

Sensitivity analysis

The applicable actuarial assumptions used to determine the defined benefit obligation in CGM Group are the discount rate, expected salary increases and inflation expectations. The sensitivity analyses presented below are based on best possible estimates of the changes in the assumptions as of the balance sheet date of 31 December 2014. In the event of changes in actuarial assumptions for sensitivity analysis purposes, other actuarial assumptions have remained unchanged.

	Increase		Decrease	
	in %	EUR '000	in %	EUR '000
Impact of the discount rate on pension commitment	1.00	-1,918	1.00	2,402
Impact of future salary increases on pension commitment	0.25	251	0.25	-253
Impact of future pension development on pension commitment	0.25	202	0.25	-190

For the previously mentioned sensitivity analysis, it is considered unlikely that the scenario in question will occur in reality because it can be assumed that changes that occur in some assumptions might correlate with each other. When calculating the sensitivity of the defined benefit obligations, the same method that was used to calculate pension provisions on the balance sheet was applied.

13. Financial liabilities (current and non-current)

The financial liabilities of CGM Group are as follows:

	31.12.2014		adjusted 31.12.2013	
	current EUR '000	non-current EUR '000	current EUR '000	non-current EUR '000
Current liabilities to banks	19,943	336,437	43,558	278,108
Other loans	99	6,420	53	36
Total	**20,042**	**342,857**	**43,611**	**278,144**

a) Liabilities to banks

Liabilities to banks can be broken down as follows:

Liabilities to banks	adjusted Book value 31.12.13 EUR '000	Book value 31.12.14 EUR '000	thereof in EUR	Interest rate as at 31.12.2014 in %	Fair value as at 31.12.2014 EUR '000
Konsortialkredit	255,000	326,918	326,918	2.08	326,918
IKB 1	3,750	1,250	1,250	3.9	1,261
IKB 2	5,000	1,667	1,667	4.45	1,726
IKB 3	0	7,480	7,480	2.85	7,609
SEB	15,000	0	0		0
Commerzbank	18,000	0	0		0
Sparkasse Koblenz	5,081	4,523	4,523	3.3	4,797
Kreissparkasse Biberach	1,219	1,094	1,094	2.75	1,095
SaarLB	1,691	1,503	1,503	2.75	1,525
SaarLB	10,000	9,000	9,000	2.85	9,204
MPS	0	515	515	0.74	521
Centrobanca	0	289	289	0.96	293
Carifirenze	0	48	48	0.915	49
Medio Credito	615	513	513	1.6	495
Banca Intesa	72	0	0		0
Rabobank	807	745	745	3.66	806
other	5,431	835	611		835
Total	**321,666**	**356,380**	**356,156**		**357,133**

As of 31 December 2014, the Group had gross debt of EUR 356.4 million and held EUR 21.5 million in cash.

On 23 September 2014, CGM concluded a new syndicated loan agreement for a total loan amount of EUR 400.0 million. The syndicated loan consists of a "term loan facility" (hereinafter "TLF") for EUR 225.0 million and a "revolving credit facility" (hereinafter referred to as "RLF") for EUR 175.0 million. The syndicated loan has an overall maturity of 5 years. The TLF is payable on a pro rata basis in equal payments of EUR 15.0 million on 31 January and 31 July of each year, beginning on 31 July 2015. Outstanding loan amounts when the TLF matures are to be settled through a one-off final payment. The RLF must be repaid at the end of each interest period, but can be taken out again immediately thereafter. The interest period for the RLF can be chosen by CompuGroup Medical AG at its discretion. The interest rate is based on the appropriate EURIBOR rate for the interest period chosen plus a margin derived from the relationship between the consolidated net debt and adjusted consolidated EBITDA. The margin is 2 percent for the first six months.

As of 31 December 2014, EUR 225.0 million of the TLF and EUR 105.0 million of the RLF were utilized. Loan origination fees totaling EUR 3.2 million were incurred relating to these facilities. These fees will be charged as an expense over the term of the loan agreement. The new syndicated loan has so far not been designed into an interest hedge. The granting of the loan is linked to the compliance of contractually agreed financial covenants. The loan agreement includes joint and several guarantees for payment by a number of Group subsidiaries (contingent liability in case of non-payment of CompuGroup Medical AG).

Due to the conclusion of the new syndicated loan agreement, CompuGroup Medical AG paid back the existing loan from the previous syndicated loan agreement at the end of September 2014. A total of EUR 285.0 million was paid back from this loan.

In January 2010, two loans in the amount of EUR 10 million each which were both refinanced through KfW, were taken out with IKB Deutsche Industriebank, Düsseldorf (IKB No. 3 and IKB No. 4). Both loans were fully utilized on 31 December 2014. 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 term runs until 30 June 2015. Loan IKB No. 4 has an interest rate of 4.45 percent. Interest is payable at the end of each financial quarter. The principle repayment is to be made quarterly in the amount of EUR 833 thousand; the first repayment was due on 30 September 2012. The loan term runs until 30 June 2015. The two loans are valued at EUR 2.9 million as of 31 December 2014.

In December 2013, one loan in the amount of EUR 14.9 million which was refinanced through KfW, was taken out with IKB Deutsche Industriebank, Düsseldorf (IKB No. 5). As of 31 December 2014, EUR 7.5 million of the loan has been utilized, which equates to the value at the reporting date. Loan IKB No. 5 has a 2.85 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 467 thousand; the first repayment is due on 31 March 2016. The loan has a term of 10 years.

In 2012, CompuGroup Medical Deutschland AG signed another loan agreement to finance the purchase of the administration building "Maria Trost 21" in the amount of EUR 6.1 million. The mortgage loan has a term of ten years and has a fixed interest rate of 3.3 percent. The loan value as of 31 December 2014 was EUR 4.5 million.

In December 2013, CompuGroup Medical Deutschland AG concluded a loan agreement with Saar LB in the amount of EUR 10.0 million for financing office buildings "Maria Trost 25" and "Carl-Mand-Strasse." This mortgage loan has a term of ten years and has a fixed interest rate of 2.85 percent. The loan value as of 31 December 2014 was EUR 9.0 million.

Other liabilities to banks include:

- A mortgage loan to CGM Deutschland AG in the amount of EUR 3.0 million for which a payment guarantee by the parent company was granted as security. The loan is valued at EUR 1.5 million as of 31 December 2014.
- A mortgage loan to CGM SYSTEMA Deutschland GmbH for EUR 3.0 million. The loan value at 31 December 2014 was EUR 1.1 million.
- Four loans to Italian subsidiaries. The loan values at 31 December 2014 were EUR 1.4 million..
- One loan to CompuGroup Medical Netherlands B.V. The loan was valued at EUR 0.7 million as of 31 December 2014.

b) Other loans

As of 31 December 2014 other loans amounted to EUR 6,519 thousand (previous year: EUR 89 thousand).

c) Expected payments for financial liabilities

	Total financial debt EUR '000	thereof: liabilities to banks EUR '000
2015	20,806	19,996
2016	34,317	33,966
2017	35,305	33,986
2018	35,299	34,006
2019	230,166	229,028
2020	3,215	2,093
2021	3,209	2,103
2022	1,523	1,459
2023 and later	1,183	1,137
Total	**365,023**	**357,774**

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

	31.12.2014			adjusted 31.12.2013		
Company	current EUR '000	non-current EUR '000	Total EUR '000	current EUR '000	non-current EUR '000	Total EUR '000
Meditec	0	801	**801**	0	794	**794**
KoCo	195	0	**195**	0	0	**0**
CGM Belgium	140	0	**140**	812	0	**812**
CGM Netherlands	1,100	0	**1,100**	1,100	0	**1,100**
Opas Sozial	288	0	**288**	288	0	**288**
Dr. Ralle/ÄND	500	0	**500**	500	0	**500**
Turbomed Center GmbH	239	0	**239**	0	0	**0**
DS Medica	0	0	**0**	500	0	**500**
Innomed	6,098	0	**6,098**	6,155	0	**6,155**
Studiofarma	0	0	**0**	0	501	**501**
Qualita in Farmacia	0	322	**322**	0	315	**315**
Puntofarma	260	130	**390**	0	0	**0**
Xdent (formerly Tekne)	0	826	**826**	0	954	**954**
FARMA3TEC	0	1,451	**1,451**	0	0	**0**
CGM Poland	0	9	**9**	39	10	**49**
Bley	167	0	**167**	0	0	**0**
Total	**8,987**	**3,539**	**12,526**	**9,394**	**2,574**	**11,968**

Long-term purchase price liabilities (due in more than one year)

Qualià in Farmacia Srl: It was agreed to acquire the outstanding 5 percent of the shares a put and call option with a fixed exercise price of EUR 375 thousand plus changes in the ISTAT index. The earliest date of exercise is 1 August 2017. A discount rate of 5 percent is used.

XDent (formerly Tekne): A put and call option has been arranged for the acquisition of the remaining 20 percent of shares. Option volume is based on Tekne's annual software maintenance revenue in the year the option is exercised. The exercise period of the call option on the first 10 percent will run from 1 January 2017 to 30 June 2017. The exercise period of the agreed put option on the first 10 percent will run from 1 July 2017 to 31 December 2017. The amount of the expected drawdown of the put option for the transmission of the first 10 percent of the outstanding shares amounts to EUR 500 thousand and is accounted for as a discounted purchase price liability as of the balance sheet date. The exercise period of the call option on the second 10 percent will run from 1 January 2019 to 30 June 2019. The exercise period of the agreed put option on the second 10 percent will run from 1 July 2019 to 31 December 2019. The amount of the expected drawdown of the put option for the transfer of the second 10 percent of the outstanding shares amounts to EUR 500 thousand. A discount rate of 5 percent is used.

Meditec: The call option granted to CGM for the acquisition of the outstanding 30 percent of shares can be exercised any time and will run until 31 December 2016. The call option is based on two times the amount of sustainable recurring revenue Meditec GmbH generates in the year prior to when the options are exercised multiplied by the percentage of outstanding shares (30 percent). At minimum, CGM will have to pay EUR 1,000 thousand at the time the call option is exercised. The seller has been granted two put options. The seller's first put option has a maturity date of 31 December 2016 and can be exercised at any time until then. The seller's first put option is based on two times the amount of sustainable recurring revenue Meditec GmbH generates in the year prior to when the options are exercised multiplied by the percentage of outstanding shares (30 percent). The seller's second put option takes effect if the purchaser failed to exercise the call option by expiry of the pre-set contract period (31 December 2016). For the second put option, the seller is granted a term beginning 1 January 2017 until 31 March 2017. Upon exercise of the put option, the payment amount is calculated using the following scale:

- Equal to the sustainable recurring revenue of the 2016 financial year, provided this is less than EUR 3,000 thousand, multiplied by the percentage of outstanding shares (30 percent).
- Twice the sustainable recurring revenue of the 2016 financial year if equal to or greater than EUR 3,000 thousand, multiplied by the percentage of outstanding shares (30 percent).

A discount rate of 5.9 percent is used.

Farma3Tec: A put and call option has been arranged for the acquisition of the remaining 20.02 percent of shares. The holder of the put option has the right, six months after the time of acquisition (1 September 2014) to sell CGM Group 10.01 percent of the remaining shares at a fixed selling price of EUR 800 thousand. The holder of the put option has the right, for a period of one to five years after the time of acquisition, to sell to CGM Group all of the remaining 20.02 percent of the shares at the following, fixed conditions:

- One year after the time of acquisition: EUR 1,620 thousand
- Two years after the time of acquisition: EUR 1,640 thousand
- Three years after the time of acquisition: EUR 1,680 thousand
- Four years after the time of acquisition: EUR 1,720 thousand

Provided that 10.02 percent of the remaining shares have been sold to CGM Group within the first six months following the time of acquisition, the previously listed purchase prices will decline by 50 percent for the periods of one to four years following the time of acquisition. A discount rate of 5 percent is used for the purchase price liabilities.

Puntofarma: The non-current portion of the outstanding purchase price payment to acquire the assets of "Puntofarma". The purchase price is due for payment in 2016.

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

Innomed: Purchase price liability from the put option of non-controlling shareholders for the remaining 29.7 percent of Innomed shares. The purchase price is based on the estimated average EBITDA in 2011 and 2012 multiplied by the factor six. Furthermore, undistributed profits of EUR 2,229 thousand for the 2010 financial year are to be compensated proportionately (at 29.7 percent) in the purchase price liability (EUR 6,098 thousand). The put options may be exercised from 1 January 2014 to 31 December 2018.

Dr. Ralle/ÄND: Outstanding, contractually agreed and payable purchase price of EUR 500 thousand. The amount is currently retained as security.

CGM Netherlands: The purchase price liability stems from the expected additional purchase price payment as the result of contractually agreed purchase price adjustment mechanisms. As of the reporting date, the parties involved had not yet reached an agreement regarding this amount. The purchase price liability is classified as current because an agreement of the parties may occur at any time.

CompuGroup Medical Belgium: Current portion of the variable purchase price liability (earn-out clause) subject to the annual increase in maintenance revenue in the 2012, 2014 and 2015 financial years, but which does not exceed a maximum of EUR 1.5 million. For the 2014 financial year, an earn-out in the amount of EUR 762 thousand was paid in 2014. The forecast of future results remains unchanged from last year, and the maximum amount of the agreed earn-out remains the operating assumption for the entire term.

"Opas Sozial": Contractual earn-out agreement securing 20 percent of the revenue from software maintenance and service contracts as well as license sales from the "OPAS Sozial" business segment for the next three financial years. The expected amount to be paid from the earn-out agreement is EUR 306 thousand and is accounted for by CGM at the balance sheet date as a discounted purchase price liability in the amount of EUR 288 thousand.

Puntofarma: The current portion of the outstanding purchase price payment to acquire the assets of "Puntofarma". The purchase price is due for payment in 2015.

"Bley": The current portion of the outstanding purchase price payment to acquire the assets of "Bley/Quo Vadis GmbH". The purchase price is due for payment in 2015.

Turbomed-Center: The current portion of the outstanding purchase price payment to acquire the assets of Turbomed-Center GmbH & Co.KG. The purchase price is due for payment in 2015.

KoCo: For information we refer to the comments under note 11. Equity, f) Non-controlling interests.

15. Trade payables

	31.12.2014 EUR '000	adjusted 31.12.2013 EUR '000
Trade payables	**25,439**	23,076

The trade payables in the amount of EUR 25,439 thousand (previous year: EUR 23,076 thousand) have an exclusive residual maturity of up to one year. Liabilities from trade payables pertaining to companies acquired in the 2014 financial year amounted to EUR 3,542 thousand as of 31 December 2014.

16. Other provisions

The development of current provisions for personnel and other provisions in the 2014 financial year is as follows:

in EUR '000	Personnel expenses	Guarantee and sales commitments	External year-end accounting costs	Legal charges	Others	Total
Balance as at 1 January 2014	**16,935**	**987**	**1,179**	**1,256**	**3,815**	**24,172**
Changes in exchange rates	-9	4	-1	1	30	25
Addition from first time consolidation	740	226	8	0	1,164	2,138
Additions	17,759	283	1,159	637	9,632	29,470
Utilization	-12,492	-445	-874	-203	-9,100	-23,114
Releases	-880	-346	-28	-67	-536	-1,857
Balance as at 31 December 2014	**22,053**	**709**	**1,443**	**1,624**	**5,005**	**30,834**

The development of current provisions for personnel and other provisions in the 2013 prior-year period is as follows:

in EUR '000	Personnel expenses	Guarantee and sales commitments	External year-end accounting costs	Legal charges	Others	Total
Balance as at 1 January 2013	**14,727**	**988**	**914**	**1,193**	**3,291**	**21,113**
Changes in exchange rates	-36	0	0	0	-25	-61
Additions	14,895	807	1,227	656	3,810	21,395
Utilization	-11,668	-667	-900	-158	-2,979	-16,372
Releases	-983	-141	-62	-435	-282	-1,903
Adjusted balance as at 31 December 2013	**16,935**	**987**	**1,179**	**1,256**	**3,815**	**24,172**

Provisions for personnel expenses particularly pertain to bonuses and commissions (2014: EUR 1,914 thousand; previous year: EUR 1,574 thousand), vacation provisions (2014: EUR 2,985 thousand, previous year: EUR 2,335 thousand) and overtime (EUR 1,394 thousand, previous year: EUR 1,105 thousand). These were calculated on the basis of the underlying hourly rates and social security deductions.

The provisions for guarantees relate to contractual commitments in connection with the installation of hospital software solutions.

The provisions formed for legal charges in the 2014 financial year largely stem from subsidiaries CGM Solutions (EUR 457 thousand), CGM France (EUR 321 thousand), Intermedix France (EUR 120 thousand), CGM Turkey (EUR 164 thousand) and CGM Italy (EUR 100 thousand). They generally pertain to legal disputes with former employees and customers.

Provisions for guarantees and legal charges are, by their nature, subject to higher levels of uncertainty. The other provisions mainly relate to current provisions. Only the provisions for guarantees and warranty include a portion that would be expected at a later date than 12 months after the reporting date. Discounted values are not separately disclosed due to materiality.

17. Other financial and non-financial liabilities and derivative instruments

a) Other financial liabilities

Other financial liabilities are broken down as follows:

	31.12.2014		adjusted 31.12.2013	
	current EUR '000	non-current EUR '000	current EUR '000	non-current EUR '000
Leasing liabilities	0	1,174	0	1,200
Loans	99	706	53	36
PoC excess liability	2,136	0	1,953	0
Employee payables	2,768	0	2,455	0
Social security liabilities	2,557	0	264	0
Debtors with credit balances	1,204	0	606	0
Prepayment for projects	10	0	0	0
Financing of SAP	0	5,714	0	0
Other financial liabilities	1,298	6	984	97
Total	**10,072**	**7,600**	**6,315**	**1,333**

	31.12.2014			adjusted 31.12.2013		
Financial lease liabilities	Future minimum lease payments EUR '000	Interest component EUR '000	Present value of future leasing receivables EUR '000	Future minimum lease payments EUR '000	Interest component EUR '000	Present value of future leasing receivables EUR '000
< 1 year	169	72	**97**	140	70	**70**
1 – 5 years	589	219	**370**	559	231	**328**
> 5 years	839	132	**707**	979	177	**802**
Total	**1,597**	**423**	**1,174**	**1,678**	**478**	**1,200**

b) Other non-financial liabilities

Other non-financial liabilities are broken down as follows:

	31.12.2014		adjusted 31.12.2013	
	current EUR '000	non-current EUR '000	current EUR '000	non-current EUR '000
Deferred income	18,356	0	21,392	0
VAT, payroll tax	10,281	0	11,273	0
Investment grants	0	1,559	0	1,749
Guarantees	0	1,709	0	1,230
Other non-financial liabilities	1,567	630	1,482	166
Total	**30,204**	**3,898**	**34,147**	**3,145**

c) Derivative financial instruments

	31.12.2014		adjusted 31.12.2013	
	Assets EUR '000	Liabilities EUR '000	Assets EUR '000	Liabilities EUR '000
Current derivative financial instruments				
Interest swap – held for trading	0	4,763	0	0
Stock option – held for trading	0	0	0	0
Current total	**0**	**0**	**0**	**0**
Non-current derivative financial instruments				
Interest swap – cash flow hedges	0	0	0	7,852
Stock option – held for trading	0	0	6,056	0
Non-current total	**0**	**0**	**6,056**	**7,852**
Total	**0**	**4,763**	**6,056**	**7,852**

The derivative financial instruments (2014: EUR 4,763 thousand; prior year: EUR 7,852 thousand) balanced as a liability represent the negative market values of interest rate hedges (interest rate swap), valued by applying the mark-to-market method at fair value. The fair value is the present value of future cash flows based on observable yield curves. Derivative financial instruments were used to hedge against the effects of interest rate fluctuations. Until the elimination of the hedged item (term and multi-currency revolving loan facility), the underlying variable interest rates were determined using interest rate swaps.

The nominal value of interest rate swaps amounted to EUR 250 million on 31 December 2014 and thus remained unchanged from last year. On 31 December 2014, the fixed interest rates ranged from 1.83 percent to 2.07 percent (unchanged from previous year), the variable interest rate was the 3-month EURIBOR.

Until the termination of hedge accounting on 29 September 2014, interest rate swaps (hedging transactions) were designated in a cash flow hedge with the term and multi-currency revolving loan facility (hedged item). As a result of the termination of hedge accounting, the amount recognized in the reserves for cash flow hedges (EUR 9,028 thousand) was recognized as an expense in the financial result. In addition, a change of EUR -1,176 thousand not recognized in the income statement was incurred. The EUR 3,089 thousand decline resulted from a EUR -1,908 thousand change in fair value until the termination of hedge accounting, as well as a EUR -1,181 thousand change in fair value following the termination of hedge accounting.

The stock option held for trading (EUR 0 thousand; previous year: EUR 6,056 thousand) consisted of a call option for the non-controlling interests in KoCo Connector AG that can be exercised at any time until 31 December 2016. The existing call option was exercised in November 2014 and netted in equity as a transaction with non-controlling shareholders.

The measurement and the parameters underlying the measurement of the share option held for trading are explained in section G under "Fair value measurement".

18. Sales revenues

Sales revenues can be broken down as follows:

	2014 EUR '000	adjusted 2013 EUR '000
Software licenses	33,298	35,405
Software license and other recurring revenue	332,084	300,613
Services	76,837	57,705
Hardware	36,536	28,284
Advertising, eDetailing and data	28,196	27,758
Software Assisted Medicine	3,372	2,663
Other revenue	4,781	7,126
Total	**515,104**	**459,555**
Thereof Construction Contracts (PoC-revenue)	**31,973**	**21,987**

19. Research and development expenses and capitalized in-house services

a) Research and development expenses

Research and development expenses include all costs arising in the course of software research and development activities. Exceptions to this are development costs incurred due to statutory or contractually mandated ongoing development work (updates, maintenance etc.) which cannot be predetermined or controlled by CGM Group.

Total expenses for research and development which were recognized in the income statement amounted to EUR 26,982 thousand.

b) Capitalized in-house services

Capitalized in-house services within CGM Group pertains to the capitalization of expenses for in-house software and the applicable expenses of its own employees for Group-wide implementation of the new Enterprise Resource Planning (ERP) and Customer Relationship Management (CRM) software. The ERP and CRM software was introduced as part of the "One Group" project that meets the criteria set forth by IAS 38. In the 2014 financial year, approximately 261,000 working hours were performed (previous year: approximately 280,000 hours) and capitalized along with their applicable cost rates. Depending on the country, the hourly rate for capitalization fluctuates between EUR 18 and EUR 53.

20. Other income

	2014 EUR '000	adjusted EUR '000
Income from services performed	**1,492**	**1,643**
thereof rental income	524	662
thereof services related income	681	756
thereof investment grants	287	225
Remaining other operating income	**11,229**	**869**
thereof compensation received from damages	123	282
thereof gain on sale of fixed assets	8,499	76
thereof revenues from valuation allowances/reversals	527	199
thereof revenues from retroactive purchase price adjustments	364	0
thereof revenues from reversals of purchase price liabilities	500	0
thereof other	1,216	312
Total	**12,721**	**2,512**

Rental income is derived primarily from renting out office, warehouse and training spaces in Koblenz to partners. Investment grants are subsidies granted for the construction of an office and administration building of CGM Italy. The income from services performed relates to operating the company cafeteria and providing management services to partners.

With legal effect beginning 31 December 2014, CGM Group disposed of the REWE/DMS business area of its CGM Systema Deutschland GmbH subsidiary to related party mps public solutions GmbH. The REWE/DMS business area's business activities focus on the development and manufacture as well as on the distribution of products and services in the "REWE" accounting & controlling product family, which primarily encompasses software solutions for finance and asset accounting, cash management, cost accounting, BI analyses and interpretation, and "DMS" document management, which mainly comprises the early scanning of supplier invoices, documentation generation as well as Saperion archiving.

The purchase price was agreed at EUR 9,000 thousand, less any purchase price adjustments. A cooperation agreement was also concluded concerning the purchase of products (REWE/DMS programs) and services. CGM Group generated other operating income of EUR 8,369 thousand from the disposal of this business area; this amount is reported under income from the disposal of business areas as non-current assets. The transaction is also covered by "G. Other disclosures/Related party disclosures".

The purchase price liability recognized for the earn-out agreed for the DS Medica transaction was omitted in the 2014 financial year. EUR 500 thousand was realized from the release of this purchase price liability.

21. Expenses for goods and services purchases

	2014 EUR '000	adjusted 2013 EUR '000
Software licenses	6,698	5,826
Software license and other recurring revenue	42,880	37,200
Services	15,296	10,381
Hardware	28,803	18,750
Advertising, eDetailing and data	1,733	877
Software Assisted Medicine	492	200
Other cost of goods	3,330	6,118
Total	**99,232**	**79,352**

The "Software maintenance and other recurring revenue" item primarily relates to external service providers operating the customer service hotline as well as sales activities.

22. Personnel expenses and employees

a) Personnel expenses

	2014 EUR '000	adjusted 2013 EUR '000
Salaries	197,365	171,463
Employer social security costs	38,464	35,057
of which net pension expenses – Benefits	1,987	-1,848
of which net pension expenses – Contribution	16,787	15,425
Termination benefits	3,191	1,877
Other personnel expenses	8,791	6,544
Total	**247,811**	**214,941**

In 2014, contributions to domestic statutory pension insurance organizations amounted to EUR 14,190 thousand (previous year: EUR 12,822 thousand).

b) Employees

The average number of CGM Group employees for the 2014/2013 financial years was as follows:

	2014	2013
Group employees (FTE)	3,576	3,215
Apprentices	109	85
Part time	535	489
Total	**4,220**	**3,789**

The average number of employees in a managerial capacity in CGM Group was 70 (previous year: 65). The Management Board of CompuGroup Medical AG was not counted.

23. Other expenses

Other expenses can be broken down as follows:

	2014 EUR '000	adjusted 2013 EUR '000
Losses on disposal of fixed assets	16	21
Bad-debt adjustments	3,693	1,596
Administrative and sales expense	89,595	78,032
Total	**93,304**	**79,649**
Administrative and sales expenses:		
Legal and consulting fees	15,024	9,903
Occupancy	14,780	13,944
Outsourcing	14,331	9,968
Company cars	10,310	8,996
Travel	8,592	8,149
IT (software, maintenance etc.)	3,563	3,369
Advertising/entertainment	6,532	6,881
Telephone	4,916	4,572
Trade fairs	2,447	3,707
Postage	1,614	1,290
Office and business equipment	3,592	3,474
Insurances/fees/contributions	1,573	1,304
Other	2,321	2,475
Total	**89,595**	**78,032**

24. Depreciation and amortization

Depreciation of property, plant and equipment is comprised as follows:

	Depreciation tangible assets	
	2014 EUR '000	adjusted 2013 EUR '000
Land and buildings	1,671	1,756
Other facilities, furniture and office equipment	6,138	5,617
Total	**7,809**	**7,373**

Amortization of intangible assets is comprised as follows:

	Depreciation intangible assets	
	2014 EUR '000	adjusted 2013 EUR '000
Goodwill/business value	1,385	1,102
Software	15,032	14,126
Customer contracts	10,620	8,860
Brands	3,384	3,013
Order backlog	1,279	2,843
Capitalized in-house services	3,272	3,630
Total	**34,972**	**33,575**

25. Results from associated companies at equity

The results from associated companies in the 2014 financial year amounted to EUR 19 thousand (previous year: EUR -20 thousand).

26. Financial income and financial expenses

a) Financial income

Financial income is broken down as follows:

	2014 EUR '000	adjusted 2013 EUR '000
Interest on loans	46	593
Change in fair value of stock options held for sale	1,181	1,639
Currency gain or loss	9,599	1,723
Other	2,155	363
Total	**12,981**	**4,318**

b) Financial expense

Financial expenses are broken down as follows:

	2014 EUR '000	2013 EUR '000
Interest on loans	14,404	13,789
Capitalized borrowing costs on qualified assets	0	-823
Loan origination fees	3,130	1,490
Increases in purchase price liabilities	586	1,311
Currency loss on loans	-2,232	9,786
Reversal of hedge accounting	5,944	0
Other interest	618	365
Total	**22,450**	**25,918**

27. Income taxes

Income taxes are comprised as follows:

	2014 EUR '000	adjusted 2013 EUR '000
Income tax paid or owed	**22,480**	**20,066**
Germany	**12,672**	**8,568**
Current tax expense	10,884	8,685
Tax adjustments from prior years	1,788	-117
Other countries	**9,808**	**11,498**
Current tax expense	9,808	11,498
Deferred taxes	**-2,141**	**-7,033**
from temporary differences	-2,141	-7,943
from recognition of tax losses from previous periods	0	910
Total	**20,339**	**13,033**

(Deferred) income taxes, which are recognized directly in other comprehensive income, are broken down as follows:

	2014 EUR '000	adjusted 2013 EUR '000
Current tax	**0**	**0**
Deferred tax	**1,274**	**-1,472**
Arising on income and expenses recognised in other comprehensive income	**-1,082**	**-1,472**
Translation of foreign operations	0	0
Fair value remeasurement of hedging instruments entered into for cash flow hedges	0	-1,349
Property revaluations		
Remeasurement of defined benefit obligation	-1,082	-123
Arising on income and expenses reclassified from equity to profit or loss	**2,356**	**0**
Relating to cash-flow hedges	2,356	0
Relating to available-for-sale financial assets	0	0
On disposal of a foreign operation	0	0
Arising on gains/losses of hedging instruments in cash flow hedges transferred to the initial carrying amounts of hedged items	**0**	**0**
Deferred tax recognized in other operating income	**1,274**	**-1,472**

The consolidated tax rate serves as the basis for corporation tax and legal structure planning. Hence, the Group tax rate is held to be a figure that contains information about the Company's (income) tax burden. In accounting terms, the ratio of the reported income tax expense and profit before tax will give rise to the Group tax rate.

Consequently, the consolidated tax charge is the sum of current and deferred tax whereby utilization of losses brought forward, the use of tax credits, tax allowances and the book value of deferred tax assets have a favorable impact on the final consolidated tax rate.

The reconciliation between the statutory tax rate (nominal) and the actual tax rate is shown below:

	31.12.2014		adjusted 31.12.2013	
	EUR '000	in %	EUR '000	in %
Earnings before taxes (EBT)	**44,455**		**35,208**	
Nominal tax rate – theoretical tax expense	**13,337**	**30%**	**10,562**	**30%**
Effect of differing domestic tax rates	-671	-2%	1,167	3%
Effects of tax rate changes on deferred taxes (balanced)	0	0%	-1,228	-3%
Expense from tax audit	1,741	4%	700	2%
Tax reimbursement for prior years	-179	0%	-817	-2%
Tax expense for prior years	1,273	3%	0	0%
Loss foreign countries – tax saving	3,034	7%	981	3%
Effects of non-tax-deductible expenses	965	2%	1,367	4%
Effects of non-tax-deductible amortization of goodwill	468	1%	268	1%
Tax expense from permanent differences	471	1%	433	1%
Other differences	-100	0%	-400	-1%
Effective tax expense	**20,339**	**46%**	**13,033**	**37%**

The weighted average tax rate was unchanged year on year at 30 percent in line with the corporate tax rate borne by CompuGroup Medical AG in Germany on taxable profits. Under German tax regulations, taxes on income include the "Körperschaftssteuer" (corporation tax), "Gewerbesteuer" (local business tax) and the "Solidaritätszuschlag" (solidarity surcharge for the former East Germany).

28. Earnings per share from continuing operations

	31.12.2014	31.12.2013
Consolidated net income for the period allocated to the parent company in TEUR	**26,507**	**23,604**
Number of ordinary shares(#)	53,219,350	53,219,350
Treasury shares(#)	3,495,731	3,495,731
Outstanding ordinary shares at closing date(#)	**49,723,619**	**49,723,619**
Earnings per share (in €)		
– undiluted	0.53	0.48
– diluted	0.53	0.48

F. Segment reporting

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. In order to reflect regional differences of the healthcare industry with regard to organization and regulation, the reporting covers product and service-related financial data as well as regional information. For management purposes as well as resource allocation, the product and service-related structure is a decisive parameter and is divided into a total of six business segments.

CompuGroup Medical AG is active in the following business segments:

- Ambulatory Information Systems (AIS) is focused on practice management software and electronic medical records for office-based physicians, dentists, medical care centers and physician's networks.
- Pharmacy Information Systems (PCS) is focused on integrated clinical, administrative and financial software applications for pharmacies and mail order pharmacies.
- Hospital Information Systems (HIS): Hospital, laboratory and special care information systems.
- Communication & Data (C&D): Targeted at pharmaceutical and medical equipment manufacturers, enabling them to provide information to physicians through software interfaces.
- Workflow & Decision Support (WDS): Targeted at healthcare payers (health insurers, managed care companies and public sector organizations) and physicians by providing an information channel via software interfaces to optimize decision-making.
- Internet Service Provider (ISP): targeted at healthcare providers (physicians, dentists, pharmacists and hospitals), providing internet/ intranet networks for information exchange.

The Company has defined EBITDA (earnings before interest, tax, depreciation and amortization) as a key financial indicator for the evaluation and assessment of segment performance. EBITDA represents the segment result.

The reporting segments can be described as follows:

- HPS I (Health Provider Services I): development and sale of software solutions for physicians, dentists and pharmacists.
- HPS II (Health Provider Services II): development and sale hospital, laboratory and special care information systems (hospital information system (HIS)).
- HCS (Health Connectivity Services): products and services to facilitate networking in between various healthcare participants, targeted specifically at pharmaceutical companies, healthcare payers and healthcare providers.

The reporting segment Health Provider Services I (HPS I) is composed of the business segments Ambulatory Information Systems (AIS) and Pharmacy Information System (PCS). The reporting segment Health Connectivity Services (HCS) is composed of the business segment Communication and Data (C&D), Workflow & Decision Support (WDS) and Internet Service Provider (ISP). The business segment Hospital Information Systems (HIS) is externally reported as Health Provider Services II (HPS II).

The "Other segments" category (IFRS 8.16) mainly comprises income and expenses from software development located at headquarters in Koblenz.

"Reconciliation" comprises corporate functions managed from Koblenz headquarters (e.g. IT, Human Resources, Legal) and consolidation measures between the segments. Transactions between business divisions were previously carried out in the same way as those between external third parties.

The segment information is based on the same disclosure and evaluation methods as the consolidated financial statements. Transactions among the Group's segment companies are always agreed at arm's length.

G. Other disclosures

Notes on the cash flow statement and cash equivalents

CGM Group creates the consolidated cash flow statement pursuant to International Accounting Standard (IAS) 7 "Statement of Cash Flows". CGM Group discloses its cash flows in order to reveal the sources and uses of cash and cash equivalents. It distinguishes between cash flows from operating activities, investing activities and financing activities. Cash and cash equivalents include cash on hand, checks, balances at banks and other financial assets with a maturity of no more than three months. In cash and cash equivalents, securities are therefore recognized to the extent they are short-term and not subject to a significant risk of price fluctuations. The effects of currency conversion are adjusted for in the calculation.

Cash flows from operating activities are determined by first adjusting consolidated net income for non-cash items such as depreciation/impairment/write-ups of intangible assets and property, plant and equipment while including changes in provisions and changes in other assets and liabilities as well as in net current assets.

Cash flows from investing activities partly pertain to cash outflows for investments in intangible assets, property, plant and equipment, subsidiaries and other business units as well as investments accounted for under the equity method and jointly controlled entities. In addition, this is where we document the proceeds from the sale of intangible assets and property, plant and equipment and subsidiaries and other business units. During the reporting year, cash flows from investing activities largely consisted of cash inflows of EUR 9,000 thousand from the disposal of a business area of CGM Systema Deutschland GmbH (see section "Disclosures on related parties").

The outflows for acquisitions of subsidiaries and other business units relate to acquisitions and sales shown in the section "Company acquisitions."

With regard to cash flows from financing activities, we report both paid and received dividends, the repayment and assumption of debt change, in pension provisions as well as payments for the acquisition of non-controlling interests and other financing transactions. The change in financial liabilities during the year was marked by the scheduled repayment of borrowings. Furthermore loans have been settled according to schedule.

Payments for income taxes are already included in consolidated net income, which is the basis for calculating cash flows from operating activities. The actual amount of income tax payments during the reporting period is reported as additional information below the cash flow statement. The same applies to the reporting of interest paid and received.

Cash and cash equivalents (cash available as of the balance sheet date) are recognized in the cash flow statement.

Capital management

CGM Group aims to strengthen its equity base in the long-term and achieve an adequate return on capital invested. However, the Group's accounting capital is only a passive risk control criteria while revenue and EBITDA are active control elements.

CGM Group's capital structure consists of net debt (incurred borrowings less cash and cash equivalents) and the Group's equity. Group equity includes issued shares less the number of treasury shares, capital and revenue reserves, other reserves as well as shares of non-controlling shareholders. A detailed breakdown of the Group's equity can be found in the "Changes in equity" or "Equity" sections.

It is both the target and the strategy of capital management to comply with or to optimize the financial covenants set out in credit agreements so as to continue further funding with unchanged or improved terms and conditions.

The consolidated equity ratio as disclosed in the consolidated financial statements as of 31 December 2014 amounted to 24.1 percent (previous year: 26.7 percent) and is particularly affected by the consolidated net profit (EUR 26,336 thousand; previous year EUR 23,147 thousand), dividend payments (EUR -17,403 thousand; previous year: EUR -17,366 thousand), actuarial gains and losses (EUR -2,905 thousand; previous year: EUR 338 thousand) as well as the purchase of additional shares after majority ownership had already been attained (EUR -11,059 thousand; previous year: EUR -73 thousand).

CGM Group's debt ratio as of the balance sheet date is calculated as follows:

Equity	31.12.2014 EUR '000	adjusted 31.12.2013 EUR '000
Debt[1]	362,899	321,711
Equity	21,465	23,453
Net Debts	**341,434**	**298,372**
Equity[2]	177,808	184,667
Net debt to equity ratio	*192%*	*162%*

1) Debt is defined as long- and short-term borrowing (excluding derivatives and financial guarantee contracts).
2) Equity includes all capital and reserves of the Group that are managed as capital.

Dynamic gearing ratio	31.12.2014 EUR '000	adjusted 31.12.2013 EUR '000
Liabilities to banks[1]	356,380	321,668
Cash and bank balances (including cash and bank balances in disposal group held for sale)	21,465	23,453
Net Debts	**334,915**	**298,283**
Earnings before interest, taxes, depreciation and amortization (EBITDA)	96,680	97,776
Net debt to EBITDA ratio	*3.46%*	*3.05%*

1) Liabilities to banks is defined as long- and short-term liabilities to banks.

All agreed financial covenants were met during the 2014 financial year.

Financial instruments
A financial instrument is a contract that simultaneously gives rise to a financial asset at one company and a financial liability or equity instrument at another entity.

CGM Group's financial instruments to be classified as financial assets consist of "cash and cash equivalents", "trade receivables", "receivables from construction contracts", "other receivables", "finance leasing receivables", "other financial assets", "securities" and "stock options – held for trading". Financial instruments to be classified as financial liabilities were composed of "liabilities to banks", "purchase price liabilities", "trade payables", "other financial liabilities", "leasing liabilities", "interest rate swaps", and "interest rate swaps – cash flow hedges"

Financial instruments are recognized when CGM becomes party to the financial instrument contract. All financial instruments are initially recognized at fair value. Costs are capitalized only when the subsequent valuation of financial instruments is not measured at fair value in the income statement. For subsequent measurements, financial instruments are broken down into the following classes under IAS 39:

– Financial instruments carried at amortized cost,
– Financial instruments measured at fair value.

These two classes are assigned to different rating categories. Financial instruments assigned to the categories "financial assets recognized at fair value in the income statement", "available for sale" and "held for trading" are generally measured at fair value.

For financial instruments to be measured at fair value, the determination was based on the market information available on the balance sheet date using the following methods and assumptions:

The measurement category "financial assets recognized at fair value in the income statement" (FVtPL) comprises financial assets such as "securities" and "stock options – held for trading" as well as "interest rate swaps" which are to be measured at fair value. The fair value of securities is based on quoted market prices in an active market on the balance sheet date.

The measurement category "assets available for sale" (AfS) comprises investments of less than 20 percent and reported as "other financial assets". The financial instruments in the category "available for sale" pertain to non-derivative financial assets which are, to the extent a reliable determination can be made, recognized at fair value. If their fair value cannot be reliably measured, they will be carried at cost. Fluctuations in value between reporting dates are recognized directly in the statement of comprehensive income (revaluation reserve), unless there is permanent impairment, which is then recognized in the income statement. When disposing of assets, the amounts recognized in the revaluation reserve are included in the income statement. In the absence of sufficient measurements, due to the fact that it is not possible to reliably determine cash flows, shares of less than 20 percent held by CGM Group are carried at cost.

There are no other financial instruments available in the category “assets available for sale”. On 31 December 2014, management harbored no intention of selling assets classified as “available for sale”.

All financial assets classified as “loans and receivables” (LaR) are carried at cost using the effective interest method. Financial instruments classified as “loans and receivables” are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

CGM Group recognizes “cash and cash equivalents”, “trade receivables”, “receivables from construction contracts” and “other financial assets” under this category. On account of the mostly short maturities, the book values of financial instruments that are classified as “loans and receivables” correspond approximately to their fair values. The fair values of the loans granted by CGM Group loan are derived from the present value of expected future payments. For discounting purposes, the appropriate interest rates on the balance sheet date are used. The fair value of the loans granted by CGM Group on the balance sheet date roughly corresponds to the book value. If the recoverability of these financial instruments is in doubt, they are stated at cost appropriate less value adjustments.

All financial liabilities – except for derivative financial instruments – are generally measured at cost using the effective interest method. With regard to financial instruments that are classified as “trade payables” and “other financial liabilities”, the book value almost corresponds to the fair value. The “liabilities to banks” (oL) item in financial liabilities is divided into fixed-rate liabilities and variable liabilities. For fixed-rate liabilities, fair value is measured as the present value of expected future cash flows while the appropriate interest rates on the balance sheet date are used for discounting purposes. The fair value of variable liabilities is not different to the book values.

Financial instruments classified as “held to maturity” are not used by CGM Group.

The following table provides information on the classification of financial assets and liabilities pursuant to the measurement categories of IAS 39. The financial assets of "finance lease receivables" and financial liabilities from "leasing liabilities" are not covered by the measurement categories under IAS 39 but are reported in the table below under financial instruments. The valuation of financial assets from "financial leasing receivables" and financial liabilities from "leasing liabilities" are measured at cost in accordance with the provisions of IAS 17.
As of 31 December 2014, the financial instruments by valuation category were as follows:

			IAS 39 valuation			IAS 17 valuation	
Categories of financial instruments in accordance with IAS 39	Category according to IAS 39	Book value as at 31.12.2014	Acquisition costs (continued)	Fair value through profit and loss	Fair value through equity	Acquisition costs (continued)	Fair value as at 31.12.2014
Financial assets							
Cash and bank balances	LaR	21,465	21,465	0	0	0	21,465
Trade receivables	LaR	64,946	64,946	0	0	0	64,946
Receivables from construction contracts (PoC)	LaR	27,329	27,329	0	0	0	24,788
Other receivables	LaR	5,344	5,344	0	0	0	5,344
Finance lease receivables	–	14,083	0	0	0	14,083	15,801
Other financial assets	AfS	147	147	0	0	0	147
Securities	FVtPL	95	0	95	0	0	95
Stock options held for trading	FVtPL	0	0	0	0	0	0
Total financial assets		**133,409**	**119,231**	**95**	**0**	**14,083**	**132,586**
Financial liabilities							
Liabilities to banks	oL	356,379	356,379	0	0	0	355,492
Purchase price liabilities	oL	12,526	12,526	0	0	0	12,526
Trade payables	oL	25,439	25,439	0	0	0	25,439
Other financial liabilities	oL	16,498	16,498	0	0	0	16,498
Financial lease obligations	–	1,174	0	0	0	1,174	1,247
Interest rate swap	FVtPL	4,763	0	4,763	0	0	4,763
Total financial liabilities		**416,779**	**410,843**	**4,763**	**0**	**1,174**	**415,966**
Total per category							
Assets held for trade	AfS	**147**	147	0	0	0	**147**
Liabilities to banks and receivables	LaR	**119,084**	119,084	0	0	0	**116,544**
Financial assets at fair value assets	FVtPL	**95**	0	95	0	0	**95**
Other financial liabilities	oL	**410,843**	410,843	0	0	0	**409,956**
Liabilities at fair value through profit and loss	FVtPL	**4,763**	0	4,763	0	0	**4,763**

The financial instruments by valuation category for the prior-year period as of 31 December 2013 are as follows:

			IAS 39 valuation			IAS 17 valuation	
Categories of financial instruments in accordance with IAS 39	Category according to IAS 39	adjusted Book value as at 31.12.2013	Acquisition costs (continued)	Fair value through profit and loss	Fair value through equity	Acquisition costs (continued)	Fair value as at 31.12.2013
Financial assets							
Cash and bank balances	LaR	23,453	23,453	0	0	0	23,453
Trade receivables	LaR	58,616	58,616	0	0	0	58,616
Receivables from construction contracts (PoC)	LaR	11,452	11,452	0	0	0	10,387
Other receivables	LaR	4,456	4,456	0	0	0	4,456
Finance lease receivables	–	14,708	0	0	0	14,708	16,502
Other financial assets	AfS	130	130	0	0	0	130
Securities	FVtPL	665	0	665	0	0	665
Stock options held for trading	FVtPL	6,056	0	6,056	0	0	6,056
Total financial assets		**119,535**	**98,107**	**6,721**	**0**	**14,708**	**120,265**
Financial liabilities							
Liabilities to banks	oL	321,667	321,667	0	0	0	322,840
Purchase price liabilities	oL	11,966	11,966	0	0	0	11,966
Trade payables	oL	23,076	23,076	0	0	0	23,076
Other financial liabilities	oL	6,448	6,448	0	0	0	6,448
Financial lease obligations	–	1,200	0	0	0	1,200	1,275
Interest rate swap	–	7,852	0	0	7,852	0	7,852
Total financial liabilities		**372,209**	**363,157**	0	7,852	**1,200**	**373,457**
Total per category							
Assets held for trade	AfS	130	130	0	0	0	130
Liabilities to banks and receivables	LaR	97,977	97,977	0	0	0	96,912
Financial assets at fair value assets	FVtPL	6,721	0	6,721	0	0	6,721
Other financial liabilities	oL	363,157	363,157	0	0	0	364,331
Liabilities at fair value through profit and loss	FVtPL	0	0	0	0	0	0

Fair value measurement

Fair value is not always available as a market value, which often necessitates a determination based on various measurement parameters. Depending on the availability of observable parameters and the relevance of these parameters for determining fair value as a whole, fair value is assigned to Level 1, 2 or 3. Assignment to these levels is effected under consideration of the following factors:

- Level 1 parameters: Here, the market value of assets and liabilities is calculated based on quoted, unadjusted prices like those that arise for similar or identical assets and liabilities in active markets.
- Level 2 parameters: Here, the market value of assets and liabilities is calculated on the basis of parameters for which either directly or indirectly quoted prices are also made available to an active market.
- Level 3 parameters: Here, the market value of assets and liabilities is calculated on the basis of parameters for which there are no observable market data.

a) Fair value of financial assets and liabilities that are regularly measured at fair value according to valuation hierarchies

In the 2014 financial year, some of the financial assets and liabilities of CGM Group were regularly measured at fair value as of the balance sheet date. The table below shows the assignment of the fair value of these assets and liabilities to Levels 1, 2 or 3.

Assessed valuation hierarchies at fair value – financial instruments	31.12.2014	Level 1	Level 2	Level 3
Financial assets at fair value through profit and loss	**95**	**95**	**0**	**0**
thereof securities	95	95	0	0
thereof stock options held for trading	0	0	0	0
Financial assets at fair value through equity	**0**	**0**	**0**	**0**
Total	**95**	**95**	**0**	**0**
Liabilities at fair value through profit and loss	**4,763**	**0**	**4,763**	**0**
thereof interest rate swaps	4,763	0	4,763	0
Liabilities at fair value through equity	**0**	**0**	**0**	**0**
Total	**4,763**	**0**	**4,763**	**0**

CGM Group's financial assets and liabilities, which were to be regularly measured at fair value on 31 December 2013 for the previous year's period, are presented as follows by assigning their fair values to Levels 1, 2 or 3:

Assessed valuation hierarchies at fair value – financial instruments	31.12.2013	Level 1	Level 2	Level 3
Financial assets at fair value through profit and loss	**6,220**	**165**	**0**	**6,056**
thereof securities	165	165	0	0
thereof stock options held for trading	6,056	0	0	6,056
Financial assets at fair value through equity	**0**	**0**	**0**	**0**
Total	**6,220**	**165**	**0**	**6,056**
Liabilities at fair value through profit and loss	**0**	**0**	**0**	**0**
Liabilities at fair value through equity	**7,852**	**0**	**7,852**	**0**
thereof interest rate swaps	7,852	0	7,852	0
Total	**7,852**	**0**	**7,852**	**0**

The underlying assessment procedures and parameters used to determine the fair value are described below:

b) Financial assets and liabilities at fair value in income

1) **Securities (level 1):** The fair value of securities in the amount of EUR 95 thousand (previous year: EUR 165 thousand) is based on quoted market prices in an active market at the balance sheet date. Significant unobservable input parameters are not available which is why there is no ratio of unobservable input parameters to the fair value of the securities.

2) **Stock options – held for trading (level 3):** This pertains to CompuGroup Medical AG's existing call options to acquire 90 percent of the shares in KoCo Connector AG at a fixed price (strike price) in the amount of EUR 45 thousand (for more Information on the relationship between CompuGroup Medical AG and KoCo Connector AG, please refer to the "Changes in the Group" section). The call options could be exercised at any time until 31 December 2016 whereby the writers are granted a right of refusal. The granted call option was a financial instrument under IAS 39.9. The value of call options depended on several variables. Among other things, it varies depending on KoCo Connector AG's enterprise value, the company's EBITDA and the fair value of the loan granted to KoCo Connector AG. The call options' fair value resulted from two possible scenarios (Scenario 1 and 2):

   – Scenario 1 "Transfer of shares from KoCo Connector AG to CompuGroup Medical AG" and
   – Scenario 2 "Writer exercises right of refusal"

   The fair value was determined on the basis of business plans using the DCF method (enterprise approach). Reachable potential customers, the date on which the individual phases ("testing phase", "roll-out phase", "replacement phase" and "maintenance phase") commence and the underlying cost structure (cost of materials and operational costs) constituted material unobservable input parameters for the business plans. In addition, the amount of loans granted by CompuGroup Medical to KoCo Connector AG on the relevant valuation date constituted a significant input parameter. A discount rate of 11.4 percent (previous year: 10.9 percent) was applied for calculating the value of the option.

The relationship of the unobservable input parameters at their fair value can be described as follows: The more customers that can be acquired in the imputed phases (especially the "roll-out phase") of the underlying business plans, the higher the fair value of the call option provided that the status of the loans granted by CompuGroup Medical AG to KoCo Connector AG has not disproportionately increased in relation to it. Fluctuations can also arise due to changes in the parameters (e.g. the discount rate).

Until the call option was exercised, the fair value of the call option was calculated as the equally weighted value from Scenario 1 "Transfer of shares from KoCo Connector AG to CompuGroup Medical AG" and Scenario 2 "Writer exercises right of refusal".

The existing call option was exercised in November 2014 and netted in equity as a transaction with non-controlling shareholders.

3) **Interest rate swaps (Level 2):** The interest rate swaps (2014: EUR 4,762 thousand; previous year: EUR 7,852 thousand) represent the negative market values of interest rate hedges (interest rate swaps), measured at fair value based on the mark-to-market method. The fair value is the present value of future cash flows based on observable yield curves. Derivative financial instruments were used to hedge against the effects of interest rate fluctuations. Thus, the variable interest rates of the term and multi-currency revolving loan facility refinanced as at 23 September 2014 were determined using interest rate swaps.

   Until the termination of hedge accounting on 29 September 2014, interest rate swaps (hedging transactions) were designated in a cash flow hedge with the term and multi-currency revolving loan facility (hedged item). As a result of the termination of hedge accounting, the amount recognized in the reserves for cash flow hedges (EUR 5,457 thousand) was recognized as income in the financial result.

   The nominal value of interest rate swaps amounted to EUR 250 million on 31 December 2014 and thus remained unchanged from last year. On 31 December 2014, the fixed interest rates ranged from 1.83 percent to 2.07 percent (unchanged from previous year), the variable interest rate was the 3-month EURIBOR.

The reconciliation of the financial instruments included in Level 3 as at 31 December 2014 is as follows:

	Stock options held for trade 31.12.2014 EUR '000
Opening balance as at 1 January	**6,056**
Total gains or losses:	
– recognized in profit or loss	0
– recognized in other comprehensive income	0
Purchases	0
Issues	0
Disposals/settlements	-6,056
Transfers out of level 3	0
Ending balance as at 31 December	**0**

The reconciliation of the financial instruments included in Level 3 as at 31 December 2013 is as follows:

	Stock options held for trade 31.12.2013 EUR '000	Purchase price liabilities UCF 31.12.2013 EUR '000
Opening balance as at 1 January	**4,417**	**7,723**
Total gains or losses:		
– recognized in profit or loss	1,639	1,077
– recognized in other comprehensive income	0	0
Purchases	0	0
Issues	0	0
Disposals/settlements	0	-8,800
Transfers out of level 3	0	0
Ending balance as at 31 December	**6,056**	**0**

There were no transfers between individual levels of the hierarchy pursuant to IFRS 7 during the financial year.

c) Distribution by valuation hierarchies of financial assets and liabilities that are not regularly measured at fair value

The financial assets and liabilities that are not regularly measured at fair value as at 31 December 2014 are as follows:

	31.12.2014	Level 1	Level 2	Level 3
Fair value of financial assets valuated at (continued) acquisition costs				
Trade receivables	64,946	0	64,946	0
Receivables from construction contracts (PoC)	24,788	0	24,788	0
Other receivables	5,344	0	1,853	3,491
Finance lease receivables	15,801	0	15,801	0
Other financial assets	147	0	0	147
Total	**111,026**	**0**	**107,388**	**3,638**
Fair value of financial liabilities valuated at (continued) acquisition costs				
Liabilities to banks	355,492	0	0	355,492
Purchase price liabilities	12,526	0	0	12,526
Trade payables	25,439	0	25,439	0
Other financial liabilities	16,499	0	9,979	6,520
Financial lease obligations	1,247	0	1,247	0
Total	**411,203**	**0**	**36,665**	**374,538**

The financial assets and liabilities that are not regularly measured at fair value as at 31 December 2013 are as follows:

	adjusted 31.12.2013	Level 1	Level 2	Level 3
Fair value of financial assets valuated at (continued) acquisition costs				
Trade receivables	58,616	0	58,616	0
Receivables from construction contracts (PoC)	10,387	0	10,387	0
Other receivables	4,456	0	2,365	2,091
Finance lease receivables	16,502	0	16,502	0
Other financial assets	130	0	0	130
Total	**90,091**	**0**	**87,870**	**2,222**
Fair value of financial liabilities valuated at (continued) acquisition costs				
Liabilities to banks	322,840	0	0	322,840
Purchase price liabilities	11,966	0	0	11,966
Trade payables	23,076	0	23,076	0
Other financial liabilities	6,448	0	6,359	89
Financial lease obligations	1,275	0	1,275	0
Total	**365,605**	**0**	**30,710**	**334,896**

The fair values of financial assets and liabilities listed above in Levels 2 and 3 are determined in accordance with generally accepted measurement methods based on discounted cash flow analyses. Here, a discount rate is applied taking into account the counterparties' risk of default as an essential input parameter.

Write-downs of financial assets

There were no impairment of financial assets during the reporting period. With regard to the impairment of trade receivables and financial assets, please refer to the respective valuation allowance schedule.

Net profits and losses on financial assets and liabilities

	31.12.2014 EUR '000	31.12.2013 EUR '000
Net profit/loss from currency conversion differences (LaR)	11,771	-8,063
Changes in fair value of financial assets held for trading (FVtPL)	-6,056	1,639
Net profit/loss from purchase price liabilities (oL)	-597	-1,152
Total	**5,118**	**-7,576**

The changes in fair value of financial assets held for trading are included in financial income and financial expenses. The net gain/loss from the foreign currency translation is recognized according to the origin in other income and other expenses or financial income and financial expenses. Furthermore, allowances for doubtful accounts are stated under other operating expenses in the amount of EUR -6,056 thousand, which are included as instruments of the category loans and receivables (LaR). With respect to trade receivables, please see the valuation adjustment schedule.

Credit risk

The financial assets of the Group primarily comprise bank deposits, trade receivables, other receivables and securities that represent the maximum default risk to the Company from credit risk to financial assets. The default risk to the Group results primarily from trade receivables. The amounts indicated in the balance sheet are understood to include a valuation adjustment for receivables that probably cannot be collected, reflecting the senior management's judgment based on previous experience and the current economic environment. In addition, the age of the receivables can be classified as non-doubtful (see trade receivables).

The default risk to liquid assets is limited because these are held at banks which were assigned a high credit rating by rating agencies.

CGM Group does not have any significant concentration of default risks because these risks are distributed across a large number of contractual parties and customers.

The loss of major customers in the hospitals and pharmaceuticals business can have a detrimental effect on the Group's liquidity. The tender and tendering procedures for major customers and project business are closely monitored to detect and address changes in the market.

The maximum credit risk from financial assets available for sale at the reporting date corresponds to the carrying value of all investments under 20 percent that are classified as available for sale.

The maximum credit risk of securities and stock options held for trading at the balance sheet date is the fair value of the assets reported on the balance sheet.

The maximum exposure to credit risk from trade and other receivables and leasing receivables at the balance sheet date is the carrying amount of these receivables. The Group has received no guarantees.

Currency risk

Fluctuating exchange rates influence the market success and gross revenues of exporting companies. In 2014, about 72 percent of revenue was generated in euros (previous year: 79 percent) and around 28 percent of revenue in other currencies (previous year: 21 percent). During the year, hedges of possible risks were effectuated in the form of forward exchange contracts based on exchange rate fluctuations. All such instruments are completely expired as of the balance sheet date.

The book value of Group monetary assets and liabilities denominated in a foreign currency is as follows:

	Assets		Liabilities	
Carrying amount of monetary assets and liabilities in foreign currencies	31.12.2014 EUR '000	adjusted 31.12.2013 EUR '000	31.12.2014 EUR '000	adjusted 31.12.2013 EUR '000
US DOLLAR	2,135	1,897	5,980	5,452
NORWEGIAN CROWNS	366	556	1,037	785
SWEDISH CROWNS	1,038	1,200	8,963	8,769
POLISH ZLOTY	1,277	1,315	8,026	6,437
NEW LIRA TURKEY	212	297	4,823	4,155
CZECH CROWNS	570	484	2,532	3,475
FRANC SWITZERLAND	499	282	3,882	2,409
DANISH CROWNS	96	67	807	712
MALAYSIAN RINGGIT	192	56	851	672
CANADIAN DOLLAR	3	1	126	122
SOUTH AFRICAN RAND	13	11	236	69

a) Sensitivity analysis: impact on net income in the case of a 10 percent rise or fall of the euro against the respective foreign currency:

The following table details the Group's sensitivity to a 10 percent rise or fall in the euro against the respective foreign currency. The adoption of the 10 percent change represents management's best estimate regarding a possible change of exchange rate from a rational perspective. The sensitivity analysis includes only outstanding monetary items denominated in foreign currency adjusting their conversion based on a 10 percent change in exchange rates.

	Currency impact net income					
	31.12.2014			adjusted 31.12.2013		
Sensitivity Analysis	Net income	+10 percent	-10 percent	Net income	+10 percent	-10 percent
US DOLLAR	3,274	3,601	2,946	-11,733	-12,906	-10,559
NORWEGIAN CROWNS	9,113	10,025	8,202	7,289	8,018	6,560
SWEDISH CROWNS	4,298	4,727	3,868	3,052	3,357	2,746
POLISH ZLOTY	2,905	3,195	2,614	1,100	1,210	990
NEW LIRA TURKEY	-1,090	-1,199	-981	-3,038	-3,341	-2,734
CZECH CROWNS	1,941	2,135	1,747	1,991	2,190	1,792
FRANC SWITZERLAND	-1,181	-1,299	-1,063	-370	-407	-333
DANISH CROWNS	761	837	685	1,093	1,202	984
MALAYSIAN RINGGIT	426	469	384	-233	-257	-210
CANADIAN DOLLAR	1	2	1	2	2	2
SOUTH AFRICAN RAND	-606	-666	-545	-643	-707	-579

b) Sensitivity analysis: impact on equity in the case of a 10 percent rise or fall of the euro against the respective foreign currency

	Currency impact equity					
	31.12.2014			adjusted 31.12.2013		
Sensitivity Analysis	Equity	+10 percent	-10 percent	Equity	+10 percent	-10 percent
US DOLLAR	11,751	12,926	10,576	14,926	16,419	13,434
NORWEGIAN CROWNS	33,396	36,736	30,057	26,930	29,623	24,237
SWEDISH CROWNS	15,432	16,976	13,889	15,725	17,297	14,152
POLISH ZLOTY	8,009	8,810	7,208	5,312	5,844	4,781
NEW LIRA TURKEY	-1,626	-1,789	-1,464	-485	-534	-437
CZECH CROWNS	3,655	4,020	3,289	3,807	4,188	3,427
FRANC SWITZERLAND	501	551	451	676	743	608
DANISH CROWNS	2,473	2,721	2,226	2,769	3,046	2,492
MALAYSIAN RINGGIT	-3,626	-3,988	-3,263	-3,815	-4,196	-3,433
CANADIAN DOLLAR	115	126	103	109	119	98
SOUTH AFRICAN RAND	-1,735	-1,908	-1,561	-1,073	-1,180	-966

In light of the highly scalable nature of revenue and general business activity of CGM Group, management considers the sensitivity analysis to be an effective method for discerning currency risks.

Interest rate risk

CGM Group's interest rate risk arises from long-term loans with variable interest rates. During the financial year to 29 September 2014, it was completely absorbed by interest rate hedging transactions. Liabilities to banks as of 31 December 2014 totaled EUR 356.4 million. The impact of interest rate fluctuations on interest rate swaps that were designated in cash flow hedges until 29 September 2014 and then held for trading, are explained in more detail in the following. Borrowings that bear fixed interest rates are excluded from this analysis.

If market interest rates on 31 December 2014 had been 100 basis points higher or lower, the financial result would have been EUR 3,923 thousand higher or EUR 2,179 thousand lower. In addition, it must be noted that an interest rate of 0 percent was assumed if a 100 basis point drop in market interest rates resulted in negative interest rates.

Expected future interest payments to be made by CGM Group are shown below:

	Book value 31.12.2014 EUR '000	Interest payments 2015 EUR '000	Interest payments 2016 EUR '000	Interest payments until 2019 EUR '000	Interest payments after 2019 EUR '000
Liabilities to banks	356,380	8,346	8,070	19,646	898
Finance lease obligations	1,174	65	66	152	133
Other financial debt	17,055	37	0	0	0
Trade payables	25,439	0	0	0	0
Purchase price liabilities	12,489	0	0	0	0
Derivative financial liabilities in hedge accounting	0	0	0	0	0
Derivative financial liabilities not in hedge accounting	4,763	4,763	0	0	0

	Book value 31.12.2013 EUR '000	Interest payments 2014 EUR '000	Interest payments 2015 EUR '000	Interest payments until 2018 EUR '000	Interest payments after 2018 EUR '000
Liabilities to banks	321,622	8,302	7,169	1,199	718
Finance lease obligations	1,200	70	65	166	177
Other financial debt	6,183	0	0	0	0
Trade payables	22,902	0	0	0	0
Purchase price liabilities	12,486	0	0	0	0
Derivative financial liabilities in hedge accounting	7,852	4,122	3,730	0	0
Derivative financial liabilities not in hedge accounting	0	0	0	0	0

Due to the amount of the interest swaps in relation to the structure of variable-rate loans, an interest rate sensitivity analysis in which the variable interest (here 3-month Euribor) to + 100bp/-100bp is changed results in only immaterial effects on CGM Group to the effective hedging of the interest payments.

Liquidity risk

To ensure that financial obligations can be complied with throughout the Group, CompuGroup Medical AG has negotiated adequate syndicated loans and overdraft facilities.

Liquidity risk differs between the countries in which CGM Group operates. Companies operating in Germany usually receive revenue from customers via direct debit agreements, whereby liquidity risk is minimized. The same goes for companies that operate in countries where direct debit is the predominant payment method (e.g. Austria, Norway, Sweden and France).

Parts of the Group cooperate in cash pooling arrangements. These agreements provide a needs-based cash management that ensures sufficient liquidity to individual companies to meet their operational needs. Control of the cash pooling is handled centrally through the Group's headquarters in Koblenz. For those operating entities that do not participate in cash pooling arrangements, control of cash holdings is accomplished through short and medium-term cash planning methods.

Group companies exceeding the level of working capital requirements usually have their cash transferred to the Group's cash management department on a quarterly basis.

CGM Group considers any limitation on debt and capital absorption capacity a liquidity risk. Restrictions place a significant risk on the achievement of corporate goals and affect overall financial flexibility.

CGM Group understands liquidity risk management as performing regular risk analysis involving the use of financial instruments to ensure that potential risks can be adequately addressed.

The following tables show CGM Group's remaining contractual maturities of financial liabilities, including derivative financial instruments. The tables examine the undiscounted cash flows of financial liabilities including both interest and principal payments. To the extent that interest payments are based on variable parameters, the undiscounted amount was determined on the basis of yield curves at the end of the reporting period. The contractual maturities are based on the earliest date on which the Group can be required to pay:

Expected future payments as of 31 December 2014:

Future payments not discounted	Book value 31.12.2014 EUR '000	Payments 2015 EUR '000	Payments 2016 EUR '000	Payments until 2019 EUR '000	Payments after 2019 EUR '000
Liabilities to banks	356,380	20,761	34,304	68,260	316,823
Finance lease obligations	1,174	145	144	340	1,023
Other financial debt	17,055	10,487	145	2,410	4,858
Trade payables	25,439	25,439	0	0	0
Purchase price liabilities	12,486	8,329	630	3,527	0
Derivative financial liabilities in hedge accounting	0	0	0	0	0
Derivative financial liabilities not in hedge accounting	4,763	4,763	0	0	0

Expected future payments as of 31 December 2013:

Future payments not discounted	Book value 31.12.2013 EUR '000	Payments 2014 EUR '000	Payments 2015 EUR '000	Payments until 2018 EUR '000	Payments after 2018 EUR '000
Liabilities to banks	321,623	51,782	269,266	3,094	14,869
Finance lease obligations	1,200	140	155	267	1,117
Other financial debt	7,383	5,522	0	15	1,846
Trade payables	22,902	22,902	0	0	0
Purchase price liabilities	11,967	9,394	10	1,610	953
Derivative financial liabilities in hedge accounting	7,852	4,122	3,730	0	0
Derivative financial liabilities not in hedge accounting	0	0	0	0	0

Operating leases, other financial obligations and contingent liabilities

a) Payments stemming from operating leases recognized in the income statement

Payments stemming from operating leases are recognized in the income statement as follows:

	31.12.2014 EUR '000	adjusted 31.12.2013 EUR '000
Minimum lease payments	12,320	10,404
Contingent rentals	0	0
Sub-lease payments received	505	662
	11,815	**9,742**

Operating lease payments that are recognized in other expenses primarily relate to the rental and lease agreements concluded for office and training facilities, office equipment and motor vehicles. Contingent payments (lease payments that are not fixed in amount but depend on factors other than the passage of time (e.g. price indices, market interest rates) were not used. Payments received from sub-lease arrangements mainly stem from the sub-leasing of office and training facilities as well as motor vehicles. Operating and leasing contracts are recognized as expenses in the income statement on a pro rata basis.

b) Leased assets (operating leases)

Operating lease – CGM as lessor	31.12.2014 EUR '000	adjusted 31.12.2013 EUR '000
Minimum leasing income		
< 1 Jahr	706	662
1 – 5 Jahre	85	18
> 5 Jahre		0
Total	**791**	**680**

Revenue from the lease of assets under operating leases results primarily from the leasing of office, warehouse and training facilities. Other income from operating leases results from the renting out of Workshop premises at the Company headquarters in Koblenz and the rental of vehicle parking lots. Almost all contracts concluded are due within one year.

c) Open commitments from operating leases that cannot be canceled

On the balance sheet date, the Group's open commitments from operating leases that cannot be canceled, matured as follows:

	Rental and lease agreements for a plant or administration building		Carpool leasing		Other leasing contracts		Total	
	31.12.2014 EUR '000	31.12.2013 EUR '000	31.12.2014 EUR '000	31.12.2013 EUR '000	31.12.2014 EUR '000	31.12.2013 EUR '000	31.12.2014 EUR '000	31.12.2013 EUR '000
< 1 year	7,584	7,180	3,966	3,179	1,494	659	13,044	11,018
1 – 5 years	18,229	16,491	5,107	4,070	1,535	261	24,871	20,822
> 5 years	7,266	6,588	0	0	25	60	7,291	6,648
Total	**33,079**	**30,259**	**9,073**	**7,249**	**3,054**	**980**	**45,206**	**38,488**

Leases are concluded for on average term of three years. The rents are fixed for three to six years. CGM Group did not enter into any off-balance sheet transactions in the form of capital commitments.

Contingent liabilities

The following table provides information on the existing contingent liabilities of CGM Group:

	Maximum liability		Liability reserves	
	31.12.2014 EUR '000	31.12.2013 EUR '000	31.12.2014 EUR '000	31.12.2013 EUR '000
Guarantees for warranties and contract execution	6,670	6,355	709	974
Pledges	7	8	0	0
Other liability risks	412	333	245	13
Total	**7,089**	**6,696**	**954**	**987**

Our operating activities did not include any large-scale purchase commitments. As part of a project contract concluded in November 2008 with the Vienna Hospital Group (KAV), Systema HIS GmbH, Austria, gave a performance guarantee of EUR 3.6 million to KAV. Furthermore, the company has deposited EUR 23 thousand with the landlord for renting office space and a computer center in St. Pölten.

Disclosures on related parties

During the financial year, Group companies entered into the following transactions with related parties outside the consolidated group. In addition, the following balances were outstanding at the end of the reporting period:

	Sale of goods		Purchase of goods		Receivables		Liabilities	
	2014 EUR '000	2013 EUR '000	2014 EUR '000	2013 EUR '000	31.12.2014 EUR '000	31.12.2013 EUR '000	31.12.2014 EUR '000	31.12.2013 EUR '000
Related persons	**44**	**69**	**414**	**160**	**0**	**9**	**0**	**0**
thereof								
Frank Gotthardt	24	49	0	12	0	4	0	0
Dr. Brigitte Gotthardt	20	13	0	0	0	1	0	0
Dr. Daniel Gotthardt	0	7	413	36	0	4	0	0
Prof. Dr. Rolf Hinz	0	0	0	112	0	0	0	0
Dr. med. Manuela Stahlknecht	0	0	1	0	0	0	0	0
Related companies	**2,271**	**3,056**	**5,165**	**4,298**	**1,475**	**833**	**436**	**327**
thereof								
Gotthardt Informationssysteme GmbH	691	1,246	3,035	3,511	479	480	223	233
INFOSOFT Informations- und Dokumentationssysteme GmbH	35	17	156	143	0	1	23	0
INFOSOFT Softwareentwicklung GmbH	0	4	5	1	0	4	0	0
mps public solution GmbH	811	788	31	33	652	220	5	13
mps software & systems GmbH	0	0	0	0	0	0	0	0
KEC Kölner Eishockey-Gesellschaft "Die Haie" mbH	50	81	65	233	60	0	60	31
KEC Vertriebs GmbH & Co. KG	0	0	150	0	0	0	0	0
GTS Praxisshop GmbH	275	786	472	376	148	129	56	50
Citywerk GmbH	2	9	0	0	1	0	0	0
RheinMassiv Verwaltung AG	0	0	1	0	0	0	1	0
Gotthardt Media GmbH	0	0	0	0	0	0	0	0
GT 3 Software und Beteiligung GmbH	6	4	0	0	0	0	0	0
Lorensbergs Ltd	0	121	0	0	0	0	0	0
Dagui Beteiligungen GmbH	0	0	115	0	0	0	0	0
XL Health Aktiengesellschaft	0	0	9	0	0	0	2	0
Zahnärztlicher Fach-Verlag GmbH	0	0	90	0	0	0	0	0
Dentronic Multimedia Marketing GmbH	0	0	0	0	0	0	0	0
DATA.med Praxiscomputer GmbH	227	0	559	0	86	0	0	0
diens/t/ag Medizinsysteme GmbH	161	0	404	0	35	0	0	0
TVM/WW-TV Lizenz- und Produktions GmbH	1	0	5	0	0	0	0	0
C.I.P. GmbH	12	0	0	0	14	0	0	0
APV Ärztliche Privatverrechnungsstelle GmbH	0	0	68	0	0	0	68	0
Associated companies	**51**	**37**	**25**	**29**	**16**	**45**	**2**	**34**
thereof								
AxiService Nice S.a.r.l.	19	18	7	11	10	22	0	13
Technosante Nord-Picardie SAS	32	19	18	18	5	23	2	22
Total	**2,365**	**3,163**	**5,605**	**4,486**	**1,491**	**888**	**439**	**361**

Related persons
Frank Gotthardt holds direct and indirect interests of 36.02 percent (previous year: 35.91 percent) in CompuGroup Medical AG through GT 1 Asset Management GmbH. From his membership in two pools from the 2007 financial year with terms until 31 December 2015, Frank Gotthardt's voting rights in the pools are tied to the shares of the other pool members. Combined with these voting rights, Frank Gotthardt's share of voting right shares in CompuGroup Medical AG amounts to more than 48 percent since the 2007 financial year. The shareholder group Gotthardt family/Dr. Koop holds more than 50 percent of the voting shares overall.

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

Related companies
A major portion of business activities were conducted with Gotthardt Informationssysteme GmbH. In addition to handling client service for large parts of our German corporate divisions, this company also maintains and equips our office spaces with copiers and consumables. Moreover, Gotthardt Informationssysteme GmbH also provides software maintenance services for the MediStar business segment. In addition, there are receivables from current leases.

mps public solution GmbH mainly acquires from CGM Systema Deutschland GmbH software licenses and software maintenance for resale. The services invoiced total EUR 811 thousand.

Other material activities relate to purchasing groups and further calculations of the cost of materials provided by GTS Praxisshop GmbH through CompuGroup Medical Dentalsysteme GmbH amounting to EUR 235 thousand (out of EUR 275 thousand in total). In turn, CompuGroup Medical AG procured office supplies in the current financial year in the amount of EUR 472 thousand.

With legal effect beginning 31 December 2014, CGM Group disposed of the REWE/DMS business area of its subsidiary systema Deutschland GmbH to related party mps public solutions GmbH.

The purchase price was agreed at EUR 9,000 thousand, less any purchase price adjustments. A fairness opinion is prepared by an independent external expert to determine the appropriateness of the purchase price. A cooperation agreement was also concluded concerning the purchase of products (REWE/DMS programs) and services. CGM Group generated other operating income of EUR 8,369 thousand from the disposal of this business area. The transaction is also covered by "E. Explanation of items on the statement of financial position and income statement/21. Other income".

KEC Betriebs GmbH & Co. KG received remuneration of EUR 150 thousand on account of the advertising agreement with CompuGroup Medical Deutschland GmbH. An agreement regarding advertising services in Kölnarena 2 ("Naming-Right Köln Arena 2") has also been concluded with KEC Kölner Eishockey-Gesellschaft "Die Haie" mbH. In return, CompuGroup Medical AG renders services (payroll accounting, controlling, etc.) for the company. The provided services were settled at the end of 2014. The transaction is considered to be on market terms and conditions.

Declaration of compliance with the German Corporate Governance Codex
The declaration of compliance required by Section 161 AktG was issued by the Management Board and the Supervisory Board and is publicly accessible on the Company's website (http://www.cgm.com/corp/investor_relations/coporate_governance/Uebersicht_CG.en.jsp).

Auditing fees according to Section 314 (1) No. 9 HGB
The following table depicts the total fees payable, including expenses and all incidental expenses of PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, for the 2014 financial year.

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

	31.12.2014 EUR '000	31.12.2013 EUR '000
Auditing financial statements	580	437
Other confirmatory services	5	11
Tax advisory	62	71
other services	119	282
Total	**766**	**801**

The auditing fees include expenses in the amount of EUR 85 thousand (previous year: EUR 122 thousand) that were not booked during the reporting period in question.

Significant post balance sheet events

Acquisition of MedEDI, South Africa

In October 2014, CGM Group concluded an agreement for the acquisition of all of the shares in Medical EDI Services (pty) Ltd. (hereinafter: MedEDI) for the amount of EUR 11.4 million. CGM Group acquired control over MedEDI effective 7 January 2015 due to anti-trust approval requirements and other conditions precedent.

MedEDI develops management and accounting software for physicians in private practice and offers online insurance accounting services. The company has some 70 employees working at sites in Johannesburg, Margate and Cape Town. The company's customer base includes approximately 2,700 physicians' offices and is a leading accounting services company in South Africa. The solutions support all every-day practice administration tasks and sends patient invoices to the relevant insurance companies in real time. In the 2014 financial year, the company generated revenue of approximately EUR 5,950 thousand and EBITDA of EUR 2,000 thousand. MedEDI was consolidated on 7 January 2015.

From this acquisition, CGM Group expects to significantly expand its physician software business in South Africa by offering innovative MedEDI software products and services and to realize synergies by gaining know-how and improving cost efficiency.

Management Board and Supervisory Board

Surname	Name	Occupation held/membership in supervisory boards and other controlling bodies
Management Board		
Gotthardt	Frank (Chairman)	Chief Executive Officer Chairman of the Supervisory Board of RheinMassiv Verwaltungs AG Chairman of the Supervisory Board of CompuGroup Medical Deutschland AG Member of the Supervisory Board of amedes Holding AG Chairman of the Supervisory Board of CompuGroup Medical Polska Sp.z.o.o.
Teig	Christian B.	Chief Financial Officer Human Resources Member of the Supervisory Board of CompuGroup Medical Deutschland AG
Eibich	Uwe	Executive Vice-President D-A-CH

Surname	Name	Occupation held/membership in supervisory boards and other controlling bodies
Supervisory Board		
Esser	Dr. Klaus (Chairman)	Chairman of the Supervisory Board of amedes Holding AG Managing Director, Klaus Esser GmbH & Co. KG
Flach	Dr. H.C. Ulrike	Parliamentary State Secretary, retired
Hinz	Prof. Dr. Rolf	Orthodontist in private practice Chairman of the Supervisory Board of Stadtmarketing Herne GmbH
Gotthardt	Prof. Dr. Daniel	Physician, Universitätsklinikum Heidelberg
Wild	Lothar (Employee-representative)	Senior Consultant at CGM subsidiary CGM SYSTEMA Deutschland GmbH, Koblenz
Grüner	Karl (Employee-representative)	Department head at CGM subsidiary LAUER-FISCHER GmbH, Fürth

Remuneration of the Management Board

The total remuneration of Management Board members is comprised of fixed and variable performance-related components. The level of compensation is mainly dependent on the responsibilities of the particular Management Board member, his or her personal performance, and the economic situation of the Company. In addition, the Company's success and future outlook amidst relevant comparisons are important criteria in determining remuneration. The components of fixed remuneration are fixed salary and fringe benefits while performance-based remuneration components consist of variable bonus payments.

Fixed salary, basic, non-performance-related remuneration, is paid monthly. In addition, members of the Management Board receive additional benefits in the form of benefits in kind, consisting mainly of the use of company cars. The use of company cars is taxed as a result of its designation as a remuneration component for the respective Management Board member.

The results-dependent compensation depends on goals agreed individually with each Management Board member, including goals measured over a multi-year period (long-term incentive). For all members of the Management Board, the multi-annual period goals assume organic growth and are based on EBITA. The (quantitative and qualitative) goals and their weighting provide the basis for the bonus scheme and are in line with sustainable corporate management pursuant to Section 87 AktG.

No loans were granted to members of the Management Board during the financial year. The amount of performance-related remuneration is linked to individually agreed goals. During the financial year, no member of the Management Board received payments or benefits from third parties in respect of their duties as members of the Management Board. No pension commitments were made to any members of the Management Board.

On 14 December 2011, the Supervisory Board of CompuGroup Medical AG appointed Christian B. Teig for a second four-year term starting 1 October 2012 and ending 30 September 2016 to the Management Board as CFO. In addition to annual fixed remuneration in the amount of EUR 300,000, Christian B. Teig has been promised a performance fee of up to EUR 300,000 per year composed of two equally weighted components, each with a maximum of EUR 150,000 per year. The first performance-based remuneration component is linked to the achievement of individually defined performance targets for the financial year which are agreed annually. The second performance-based compensation component is based on average EBITA and average organic growth in the financial year and the previous period. As a non-performance-related benefit, Christian B. Teig is provided with a company car whose net acquisition price amounts to a maximum of EUR 120,000. At the same Supervisory Board meeting, the exercise period for Christian B. Teig's 375,000 share options at an exercise price of EUR 5.50 per share was extended to 31 December 2016. The stock options may be exercised without any further conditions at any time before this date (American options). If Christian B. Teig were to fall ill during the contract period or become permanently disabled, the service contract would terminate six months after determination of his incapacity to work. In the event of termination by the Company, Christian B. Teig would receive a severance payment in the amount of up to EUR 1,200,000 or the amount of the total remuneration that would have been payable for the remaining term of the employment contract after early termination. The employment contract also includes a change of control clause according to which Christian B. Teig is entitled to resign in the event of a change of control within one month at the end of the month and receive the aforementioned severance payment in full.

On 7 March 2012, the Supervisory Board of CompuGroup Medical AG appointed Uwe Eibich for an additional four-year term from 1 January 2013 to 31 December 2016 as member of the Management Board and Executive Vice President for German-speaking countries. In addition to annual fixed remuneration of EUR 300,000, Uwe Eibich has been promised a performance fee of up to EUR 200,000 per year. The performance-related component of remuneration depends on the achievement of individually defined performance targets for the financial year which are agreed annually. Furthermore, Uwe Eibich has been promised a performance-based remuneration of up to EUR 400,000 which is staggered over the duration of the contract. The second performance-based compensation component is measured by the average organic growth in the region "D-A-CH" over the period of appointment, which must amount to at least 4 percent per annum. If average organic growth reaches 8 percent, it is considered equal to a target achievement of 100 percent. As a non-performance benefit, Uwe Eibich will be provided with a company car whose net acquisition price amounts to a maximum of EUR 120,000. If Uwe Eibich were to be permanently incapacitated or pass away during the contract period, the fixed annual salary and the variable portion of his compensation will be paid for a period of three months (death benefits will be paid to surviving dependents). In the event of termination by the Company, Uwe Eibich will receive a severance payment equal to the pro rata amount of his total remuneration until the end of his term. The payment is limited to a maximum amount of EUR 600,000.

On 14 December 2012, the Supervisory Board of CompuGroup Medical AG appointed Frank Gotthardt as Chief Executive Officer (CEO) for an additional term of 4.5 years from 1 July 2013 to 31 December 2017. In addition to an annual fixed remuneration of EUR 660,000, Frank Gotthardt has been promised a performance fee linked to average EBITA and average organic growth in the financial year and the following two years. Because the contract term is limited to the end of 2017, the period of averaging is reduced from the 2016 financial year. In the last year of his term (the 2017 financial year), the amount of the bonus depends also on the level of recurring revenues, which must be higher in the 2018 financial year than in the 2017 financial year. Otherwise, the bonus for the 2017 financial year is reduced proportionally. If Frank Gotthardt were to be permanently incapacitated or pass away during the contract period, the fixed annual salary and the variable portion of compensation will be paid (death benefits will be paid to surviving dependents) for a period of three months.

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

Management Board remuneration 2014 pursuant to IAS 24.17

Name	Short-term benefits EUR	Other long-term benefits EUR	Total compensation EUR
Gotthardt, Frank	661,300	1,364,000	2,025,300
Eibich, Uwe	485,660	100,000	585,660
Teig, Christian B.	593,415	0	593,415
Total	**1,740,375**	**1,464,000**	**3,204,375**

Management Board remuneration 2013 pursuant to IAS 24.17

Name	Short-term benefits EUR	Other long-term benefits EUR	Total compensation EUR
Gotthardt, Frank	1,294,300	717,000	2,011,300
Eibich, Uwe	434,991	100,000	534,991
Teig, Christian B.	621,165	0	621,165
Total	**2,350,456**	**817,000**	**3,167,456**

Remuneration information pursuant to Section 314 (1) No. 6 HGB.

Management Board remuneration 2014

Name	Fixed compensation (non-performance based) EUR	Variable bonus (performance based) EUR	Fringe benefits EUR	Total compensation EUR
Gotthardt, Frank	660,000	-1,210	1,300	660,090
Eibich, Uwe	300,000	200,000	35,660	535,660
Teig, Christian B.	300,000	255,000	38,415	593,415
Total	**1,260,000**	**453,790**	**75,375**	**1,789,165**

Management Board remuneration 2013 (comparative figures)

Name	Fixed compensation (non-performance based) EUR	Variable bonus (performance based) EUR	Fringe benefits EUR	Total compensation EUR
Gotthardt, Frank	630,000	644,000	1,300	1,275,300
Eibich, Uwe	300,000	91,771	34,991	426,762
Teig, Christian B.	300,000	174,829	38,415	513,244
Total	**1,230,000**	**910,600**	**74,706**	**2,215,306**

Remuneration of the Supervisory Board
Supervisory Board remuneration is based on an annual fixed amount. In the past financial year, there were no changes from the previous year in the amount of remuneration for members of the Supervisory Board. Employee representatives on the Supervisory Board receive additional remuneration for activities outside the Supervisory Board which are compensated at market rates. Total payments to the Supervisory Board amounted to EUR 272 thousand (previous year: EUR 260 thousand) in the fiscal year 2014. Details on individual members have been omitted for reasons of materiality.

Release from disclosure requirement
All companies incorporated in Germany with profit transfer agreements claim the right of exception under Section 264 (3) HGB not to publish annual financial statements. This concerns the following companies:

- CGM SYSTEMA Deutschland GmbH, Koblenz
- CompuGroup Medical Dentalsysteme GmbH, Koblenz
- CompuGroup Medical Deutschland AG, Koblenz
- CompuGroup Medical Software GmbH, Koblenz
- IfAp Service-Institut für Ärzte und Apotheker GmbH, Martinsried
- Intermedix Deutschland GmbH, Koblenz
- LAUER-FISCHER GmbH, Fürth
- LAUER-FISCHER ApothekenService GmbH, Koblenz

Changes in Intangible and Tangible Assets
in the 2014 Financial Year

	Purchase or manufacturing costs						
	01.01.2014 EUR '000	Initial consolidation additions EUR '000	Other additions EUR '000	Transfers EUR '000	Disposals EUR '000	Currency differences EUR '000	31.12.2014 EUR '000
Intangible assets							
Goodwill	241,897	12,490	0	0	-13	11	254,385
Acquired software	213,849	7,750	1,463	2,305	0	2,166	227,533
Customer relationships	179,221	24,398	0	0	0	2,387	206,006
Brands	26,489	2,908	0	0	0	294	29,691
Order backlogs	8,844	0	0	0	0	22	8,866
Prepayments on software	6,395	0	6,700	-2,305	0	-63	10,727
Capitalized in-house services	59,843	0	9,202	0	0	-203	68,842
	736,538	**47,546**	**17,365**	**0**	**-13**	**4,614**	**806,050**
Tangible assets							
Land and buildings	53,202	5	520	866	-1,085	24	53,532
Other assets, plant and office equipment	36,528	857	6,752	0	0	728	44,865
Assets under construction	804		436	-866	-139	-6	229
	90,534	862	7,708	0	-1,224	746	98,626
	827,072	**48,408**	**25,073**	**0**	**-1,237**	**5,360**	**904,676**

	Depreciation				Book value	
01.01.2014 EUR '000	Additions EUR '000	Disposal EUR '000	Currency differences EUR '000	31.12.2014 EUR '000	31.12.2014 EUR '000	adjusted 31.12.2013 EUR '000
8,247	1,561	0	121	9,929	244,456	233,650
160,703	14,856	0	2,510	178,069	49,464	53,146
40,252	10,620	0	648	51,520	154,486	138,969
10,946	3,384	0	117	14,446	15,245	15,543
7,481	1,279	0	22	8,782	84	1,363
256	0	0	8	264	10,463	6,139
22,503	3,272	0	-277	25,498	43,344	37,340
250,389	**34,972**	**0**	**3,147**	**288,508**	**517,542**	**486,149**
8,146	1,671	-1,034	14	8,797	44,735	45,056
21,164	6,138		473	27,776	17,089	15,363
0	0			0	229	804
29,310	7,810	-1,034	487	36,573	62,053	61,224
279,699	**42,782**	**-1,034**	**3,634**	**325,081**	**579,595**	**547,373**

Changes in Intangible and Tangible Assets
in the 2013 Financial Year

	Purchase or manufacturing costs						
	01.01.2013 EUR '000	Initial consolidation additions EUR '000	Other additions EUR '000	Transfers EUR '000	Disposals EUR '000	Currency differences EUR '000	adjusted 31.12.2013 EUR '000
Intangible assets							
Goodwill	227,273	19,177				-4,553	241,897
Acquired software	211,245	5,547	2,826	-55	-571	-5,143	213,849
Customer relationships	160,722	23,808	0	-4		-5,305	179,221
Brands	25,075	1,752	0		-2	-336	26,489
Order backlogs	8,862					-18	8,844
Prepayments on software	1,545		5,557	-165	-204	-338	6,395
Capitalized in-house services	45,307	4,466	10,205	165	-234	-66	59,843
	680,029	**54,750**	**18,588**	**-59**	**-1,011**	**-15,759**	**736,538**
Tangible assets							
Land and buildings	51,096	1,301	789	33	-7	-10	53,202
Other assets, plant and office equipment	35,363	688	6,079	26	-4,610	-1,018	36,528
Assets under construction	282	0	672	0	-152	2	804
	86,741	1,989	7,540	59	-4,769	-1,026	90,534
	766,770	**56,739**	**26,128**	**0**	**-5,780**	**-16,785**	**827,072**

Depreciation					Book value	
01.01.2013 EUR '000	Additions EUR '000	Disposal EUR '000	Currency differences EUR '000	adjusted 31.12.2013 EUR '000	adjusted 31.12.2013 EUR '000	31.12.2012 EUR '000
7,770	1,102	0	-625	8,247	233,650	219,503
151,140	14,126	-478	-4,085	160,703	53,146	60,105
33,474	8,860	0	-2,082	40,252	138,969	127,248
8,052	3,013		-119	10,946	15,543	17,023
4,652	2,843		-14	7,481	1,363	4,210
256	0			256	6,139	1,289
18,873	3,630			22,503	37,340	26,434
224,217	**33,575**	**-478**	**-6,925**	**250,389**	**486,149**	**455,812**
6,401	1,756	-7	-4	8,146	45,056	44,695
20,144	5,617	-4,100	-497	21,164	15,364	15,219
0				0	804	282
26,545	7,373	-4,107	-501	29,310	61,224	60,196
250,762	**40,948**	**-4,585**	**-7,426**	**279,699**	**547,373**	**516,008**

Segment Report
for the 2014 Financial Year

EUR '000	Segment I: Health Provider Services I (HPS I) 2014 Jan – Dec	Segment I: Health Provider Services I (HPS I) 2013 Jan – Dec	Segment II: Health Provider Services II (HPS II) 2014 Jan – Dec	Segment II: Health Provider Services II (HPS II) 2013 Jan – Dec	Segment III: Health Connectivity Services (HCS) 2014 Jan – Dec	Segment III: Health Connectivity Services (HCS) 2013 Jan – Dec
Sales to third parties	375,335	320,434	79,784	81,175	60,069	57,681
Sales between segments	6,459	7,597	10,843	12,928	5,885	4,608
Segment Sales	**381,794**	**328,030**	**90,627**	**94,103**	**65,954**	**62,289**
thereof recurring sales	273,938	244,806	40,243	38,432	17,891	19,328
Capitalized in-house services	1,728	1,975	1,903	0	735	734
Other income	4,459	1,552	7,322	1,277	1,049	1,573
Expenses for goods and services purchased	-81,192	-60,340	-17,390	-20,514	-16,597	-14,075
Personnel expenses	-145,442	-114,256	-52,676	-51,402	-25,689	-31,304
Other expenses	-64,969	-57,565	-12,915	-11,785	-14,479	-13,988
EBITDA	**96,378**	**99,398**	**16,871**	**11,678**	**10,973**	**5,230**
in % of revenue	25.7%	31.0%	21.1%	14.4%	18.3%	9.1%
Depreciation of property, plants and tangible assets						
Amortization of intangible assets						
EBIT						
Results from associates recognised at equity						
Financial income						
Financial expense						
EBT						
Income taxes						
Profit for the period from discontinued operations						
Consolidated net income of the period						
in % of revenue						
CASH NET INCOME*						

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

All other Segments		Sum Segments		Consolidation		CGM Group	
2014 Jan – Dec	2013 Jan – Dec	2014 Jan – Dec	2013 Jan – Dec	2014 Jan – Dec	2013 Jan – Dec	2014 Jan – Dec	2013 Jan – Dec
-83	265	515,104	459,555	0	0	515,104	459,555
3,022	417	26,209	25,549	-26,209	-25,549	0	0
2,939	**682**	**541,313**	**485,104**	**-26,209**	**-25,549**	**515,104**	**459,555**
12	12	332,083	302,578	0	0	332,083	302,578
4,836	6,942	9,202	9,651	0	0	9,202	9,651
5,500	1,414	18,330	5,817	-5,609	-3,304	12,721	2,512
-110	-6,525	-115,290	-101,454	16,058	22,102	-99,232	-79,352
-9,221	-5,676	-233,028	-202,638	-14,784	-12,304	-247,811	-214,942
-14,604	-3,147	-106,967	-86,485	13,663	6,836	-93,304	-79,649
-10,661	**-6,309**	**113,561**	**109,996**	**-16,881**	**-12,220**	**96,680**	**97,776**
		22.0%	23.9%			18.8%	21.3%
						-7,809	-7,373
						-34,972	-33,575
						53,899	**56,828**
						19	-20
						12,981	4,318
						-22,444	-25,918
						44,455	**35,208**
						-20,402	-13,033
						-20	-457
						24,033	**21,718**
						4.7%	4.7%
						55,986	51,663

Segment Report by Regions
for the 2014 Financial Year

	CER		CEE		NER		SER	
EUR '000	2014	2013	2014	2013	2014	2013	2014	2013
Sales revenues	247,847	220,856	92,933	87,879	88,441	84,797	68,838	38,858
Non-current assets	181,021	164,700	65,147	68,018	131,892	135,750	87,972	53,508

The CER (Central Europe region) region comprises the domestic market only (Germany).

USC		Total		All other regions		Consolidation		CGM Group	
2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
33,676	36,779	531,735	469,170	1,639	1,599	-18,270	-11,214	515,104	459,555
60,352	57,427	526,383	479,402	53,212	42,878	0	0	579,595	522,279

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 material opportunities and risks for future development are explained.

Koblenz, 17 March 2015

CompuGroup Medical Aktiengesellschaft
The Management Board

Frank Gotthardt **Christian B. Teig** **Uwe Eibich**

Auditor's Report

We have audited the consolidated financial statements prepared by the CompuGroup Medical Ak-tiengesellschaft, Koblenz, comprising the statement of financial position, the income statement, statement of comprehensive income, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the group management report, which is combined with the management report of the parent Company, for the business year from January 1 to December 31, 2014. The preparation of the consolidated financial statements and the combined management report in accordance with the IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § (Article) 315a Abs. (paragraph) 1 HGB ("Handelsgesetzbuch": German Commercial Code) is the responsibility of the parent Company's Board of Managing Directors. Our responsibility is to express an opinion on the consolidated financial statements and on the combined management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the In-stitut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the combined management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the combined management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of the entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Company's Board of Managing Directors, as well as evaluating the overall presentation of the consolidated financial statements and the combined management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion based on the findings of our audit the consolidated financial statements comply with the IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The combined management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Frankfurt am Main, March 17, 2015

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Jürgen Lehnus
Wirtschaftsprüfer
(German Public Auditor)

ppa. Christopher Schlig
Wirtschaftsprüfer
(German Public Auditor)

Share Information

The CompuGroup Medical share is listed on the Frankfurt Stock Exchange, Prime Standard, under the ticker COP (FRA: COP). The shares are traded inter alia through the world-wide electronic trading system XETRA. As at 31 December 2014, there were 53.2 million shares outstanding, each with a calculated value of EUR 1.00.

Key data per share

		2014	2013	2012
Year-end price	€	19.90	18.34	14.65
Year high	€	21.65	20.11	15.62
Year low	€	16.86	14.01	8.15
Year average	€	19.18	17.64	11.88
Yearly trade	€m	119.2	150.6	63.4
	Shares m	6.2	8.6	5.3
Number of shares	Shares m	53.2	53.2	53.2
Market capitalization	€m	1,059.1	976.0	779.7
Earnings per share	€	0.53	0.48	0.62
Dividend per share	€	0.35[2]	0.35	0.35
Dividend payout	€m	17.4[2,4]	17.4[4]	17.4
Dividend yield	%	1.76[1,2]	1.91[1]	2.39[1]

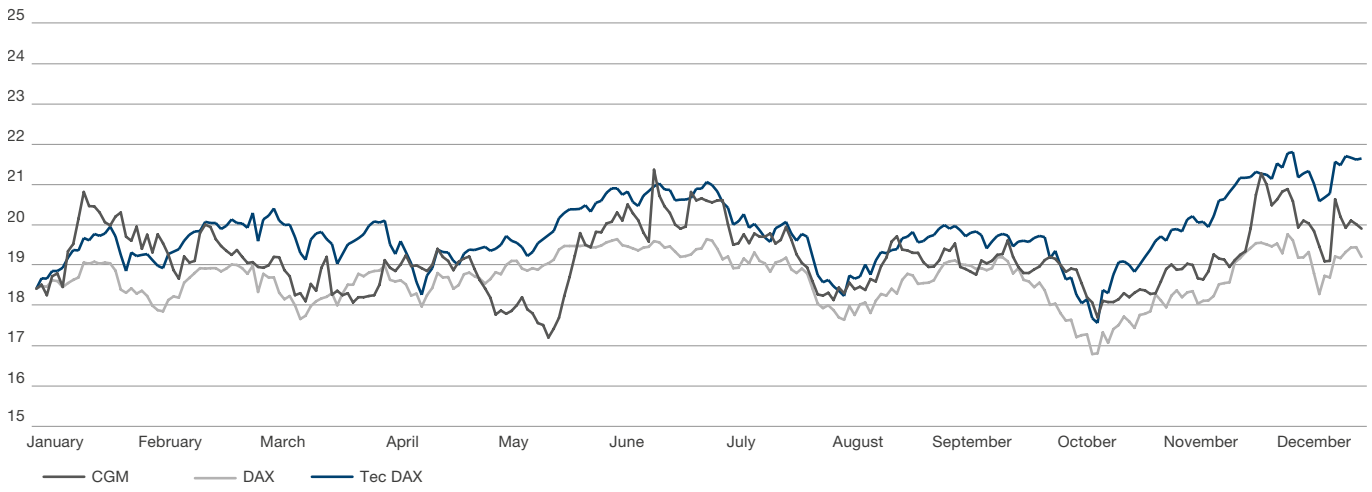
1) as of 31.12.
2) Subject to Annual General Meeting approval.
3) related to net income of CGM AG.
4) as of date of approval of 2014 financial statements.

Share development

The CGM share began 2014 with a share price of EUR 18.41. The high for the year was reached on 1 December 2014 with EUR 21.65. The share ended 2014 at EUR 19.90. This represents an increase of 8 percent, bringing the total market capitalization up EUR 83 million to a total of EUR 1.1 billion at the end of the year 2014.

The yearly trading volume reached 6.2 million in 2014. The average daily trading volume in 2014 was approx. 25,000 shares (previous year: approx. 34,000).

The share price development during 2014 can be seen below:



Dividend

In the 2014 financial year EUR 17.4 million were paid out corresponding to a dividend per share of EUR 0.35. In 2015, the Management and Supervisory Board will propose the payment of a dividend of EUR 0.35 per share to the Annual General Meeting held on 20 May 2015. Subject to the shareholder's approval, the dividend amount would total EUR 17.4. Based on the 2014 closing share price (EUR 19.90), this would equate to a dividend yield of 1.76 percent.

Share data

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

Investor Relations

The Management Board and the Supervisory Board of CompuGroup Medical AG identify with the objectives of the German Corporate Governance Code of promoting responsible and transparent management and control oriented to a sustainable increase in shareholder value.

Investors and capital market participants are to be provided consistent, timely and precise information simultaneously. CompuGroup Medical, as an international company with investors across the globe, publishes all news and press releases in English as well as German.

The Investor Relations section of the company's corporate website www.cgm.com is an important tool containing up-to-date information on the company's financial performance and stock market information. User may also find financial reports, an updated financial calendar, detailed company information and other important data for the financial markets. In conjunction with the release of its interim and full year financial results, CGM gives public presentations to investors, analysts and press.

During the year, CompuGroup Medical held numerous physical meetings and phone calls with German and international investors and analysts and participated in international capital market conferences and roadshows in Europa and the USA. CGM also held telephone conferences and analyst meetings when publishing quarterly results. For the first time, CGM held an investor and analyst conference at its company headquarter in Koblenz. The presentations covered the most important growth topics in the Group currently, specifically growth initiatives in the HCS segment and the opportunities around the eGK and Telematics Infrastructure in Germany.

At the end of the year, the number of analysts that regularly follow CompuGroup Medical amounted to eight, all of them based in Germany. With four buy, one neutral and three hold recommendations, the analysts presented a positive view of the CompuGroup Medical share. The forecast price targets ranged from EUR 18.50 to EUR 24.00 at the end of 2014.

Financial Calendar 2015

Date	Event
31 March 2015	Annual Report 2014
07 May 2015	Interim Report Q1 2015
20 May 2015	Annual General Shareholder Meeting, Koblenz
06 August 2015	Interim Report Q2 2015
09 October 2015	Analysten Conference
05 November 2015	Interim Report Q3 2015

Imprint

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Chairman of the Supervisory Board
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