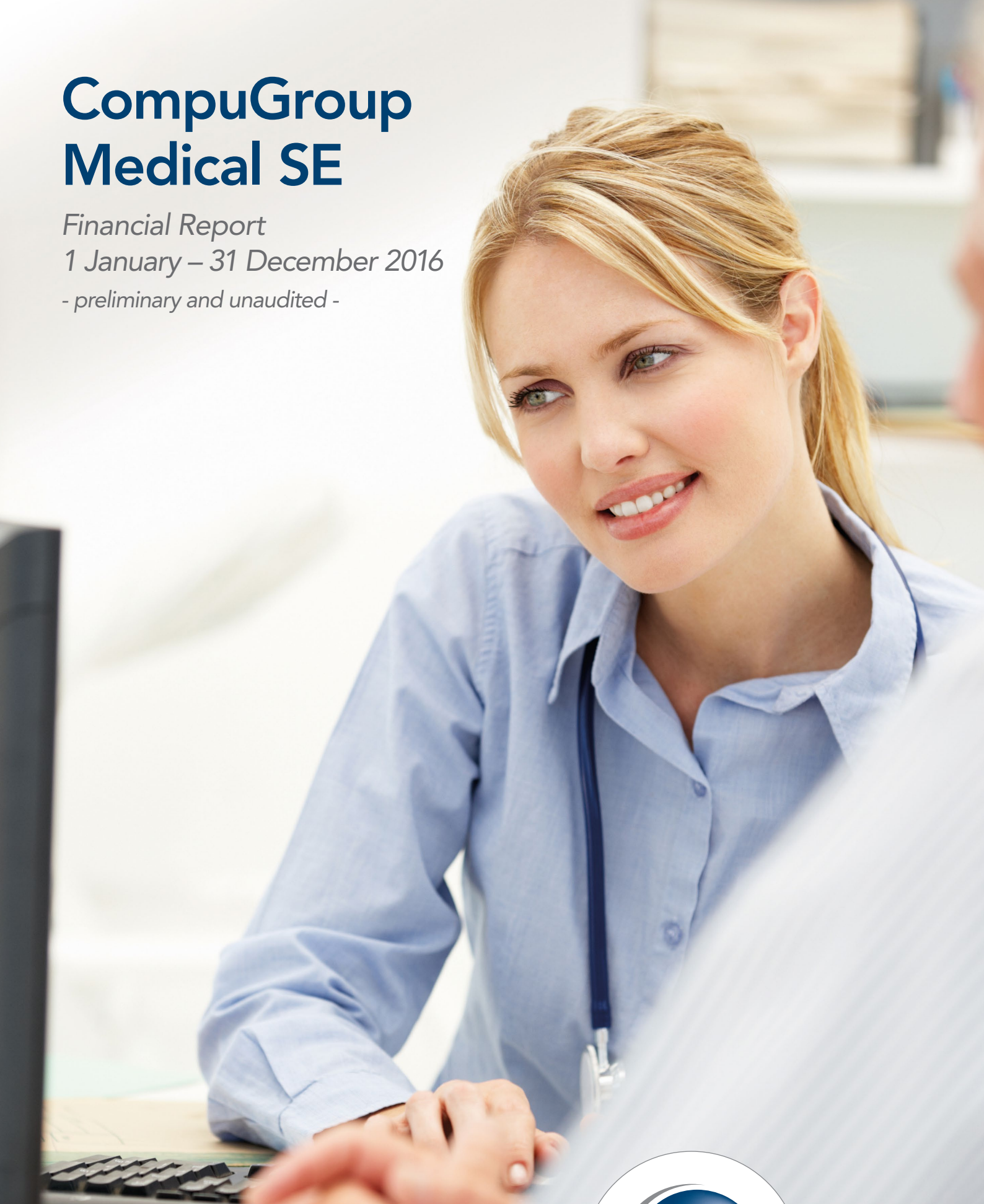


CompuGroup Medical SE

Financial Report

1 January – 31 December 2016

- preliminary and unaudited -



Synchronizing Healthcare



CompuGroup
Medical

+++++

- 1 Key Events and Guidance
- 1 Financial Review
- 4 Outlook
- 6 Income Statement
- 7 Statement of Financial Position

+++++

The preliminary results are based on unaudited financial information and on preliminary information reviewed by the management to date. These results remain subject to the completion of the CompuGroup Medical accounting closing process, and approval by the Supervisory Board. The company will provide its audited fourth quarter and full year 2016 results on Friday, 31 March 2017.

KEY EVENTS AND GUIDANCE

- + Fourth quarter revenue of EUR 153.6 million, an increase of 5 percent compared to the same period in 2015.
- + Operating profit (EBITDA) of EUR 37.0 million, an increase of 11 percent compared to the fourth quarter last year and corresponding to 24 percent operating margin.
- + Full year revenue of EUR 560.1 million and EBITDA of EUR 126.5 million, corresponding to 3 percent growth and 23 percent operating margin.
- + 2016 operating margin is 2 percentage points higher than in 2015 and margin expansion is projected to continue in 2017.
- + Successful start of the trial period of the gematik ORS1 project in December and the roll-out of the Telematics Infrastructure in Germany is expected to begin in the middle of 2017.
- + CompuGroup Medical offers the following guidance for 2017:
 - + Group revenue is expected to be in the range of EUR 600 million to EUR 630 million.
 - + Group operating income (EBITDA) is expected to be in the range of EUR 138 million to EUR 150 million.

FINANCIAL REVIEW

Revenue

Revenue in the fourth quarter of 2016 was EUR 153.6 million compared to EUR 146.8 million in the same period in 2015. This represents an increase of 5 percent, of which 3 percent is organic growth.

In the HPS I segment, the fourth quarter revenue was EUR 115.3 million which corresponds to 9 percent growth. Revenue in Ambulatory Information Systems (AIS) grew 7 percent, of which practically all is organic growth. The strong growth in AIS is a result of special software license revenue opportunities in Germany which were held back at the beginning of 2016 and now successfully captured in the fourth quarter. Furthermore, the Gematik project in Germany recognized higher revenue compared to the fourth quarter in 2015. Pharmacy Information Systems (PCS) revenue grew 14 percent of which 10 percent comes from the acquisition of Vega and CSI in Italy and the rest is organic growth.

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

EUR m	01.10-31.12 2016	01.10-31.12 2015	Change	01.01-31.12 2016	01.01-31.12 2015	Change
Ambulatory Information Systems	86.7	80.9	7%	324.0	314.9	3%
Pharmacy Information Systems	28.6	25.2	14%	97.7	91.7	6%
SUM	115.3	106.1	9%	421.7	406.6	4%

The year-on-year revenue contraction in Hospital Information Systems (HIS) was -4 percent going from the fourth quarter 2015 to 2016. For the full year 2016 the progress of the hospital business has been as expected with a flat organic revenue development.

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

EUR m	01.10-31.12 2016	01.10-31.12 2015	Change	01.01-31.12 2016	01.01-31.12 2015	Change
Hospital Information Systems	20.6	21.5	-4%	73.6	72.8	1%
SUM	20.6	21.5	-4%	73.6	72.8	1%

Financial Review Continued

In the HCS segment, revenue was EUR 17.7 million in the fourth quarter 2016 which is 8 percent lower than the same period last year. Overall, it has been a good 2016 for the HCS business with full-year organic growth of 2 percent.

HCS revenue development (including acquisitions and currency effects):

EUR m	01.10-31.12 2016	01.10-31.12 2015	Change	01.01-31.12 2016	01.01-31.12 2015	Change
Communication & Data	7.1	7.9	-10%	22.3	22.6	-1%
Workflow & Decision Support	7.4	7.7	-3%	28.6	26.9	7%
Internet Service Provider	3.2	3.7	-13%	13.8	14.1	-2%
SUM	17.7	19.2	-8%	64.8	63.6	2%

Profit

Consolidated EBITDA amounted to EUR 37.0 million compared to EUR 33.3 million in the fourth quarter of 2015. This represents an increase of 11 percent. The corresponding fourth quarter operating margin was 24 percent compared to 23 percent last year.

With a provisional tax calculation, the estimated fourth quarter net income was EUR 17.4 million, up from EUR 8.6 million in 2015. The estimated fourth quarter 2016 cash net income amounts to EUR 27.2 million and cash net income per share of EUR 0.55.

Full year 2016

Consolidated revenue in 2016 was EUR 560.1 million compared to EUR 543.1 million in 2015. This represents an increase of EUR 17.0 million and 3 percent respectively. The organic growth was 2 percent in 2016 (3 percent at constant exchange rates).

Consolidated EBITDA in 2016 was EUR 126.5 million compared EUR 112.3 million in 2015. This represents an increase of 13 percent. The corresponding operating margin was 22.6 percent compared to 20.7 percent in 2015.

Other events in the quarter

ORS-1 project ("Gematik project")

The contract for the Gematik project was awarded in December 2013 and CGM has since worked to develop and certify the necessary components and to test the Telematics Infrastructure and Electronic Health Card (eGK) with 506 providers (doctors, dentists and hospitals) in the North-West region of Germany.

Significant progress has been made in the project during the fourth quarter of 2016. One of the key hardware components to be developed and delivered by the CGM consortium in the project, the so-called 'Konnektor', was in November given its formal security certificate by the Federal Office for Information Security (BSI). A number of the existing card terminals are allowed to be used throughout the complete pilot period (with a firmware update). A three week pre-pilot period in the North-West test region began on November 18 and the first and important application in the infrastructure, the verification and update of the insured master data (VSDM), was successfully tested with more than 7,700 online VSDM services carried out in this period by the first 23 doctors' offices and one hospital. Already after three weeks, this greatly exceeded the 1,000 successful events that were determined by Gematik as one of the conditions for the further rollout of test installations.

As of the date of this report (3 February 2017) CGM has successfully installed 250 out of the contracted 506 pilot users and CGM expects to complete the remaining test installations by the end of the first quarter 2017.

The German eHealth law and planned national roll-out of the Telematics Infrastructure

In December 2015, the German parliament approved "The eHealth Law" (Gesetz für sichere digitale Kommunikation und Anwendungen im Gesundheitswesen). The eHealth law contains clear deadlines and financial incentives/penalties to ensure the timely roll-out of the Telematics Infrastructure to an estimated 225,000 participants in healthcare all over Germany in the 2016-2018 timeframe.

From the current status in the Gematik project, CGM expects to be ready to begin the nationwide roll-out towards the middle of 2017. Testing so far in the project has been successful and the transition over the first to second quarter in 2017 is expected to be done with all 506 planned test installations live which will give a strong indication of CGM's readiness to begin the nation-wide roll-out. Other important areas that also need to be completed before a roll-out can begin are financing agreement between providers and insurers, re-designed and security approved (BSI) card readers and central components for productive operation (e.g. VPN access service). All components including Konnektors and card readers also have to be re-certified as they are currently only certified according to the pilot specifications and not for the final productive specifications (differences being relatively limited). Assuming that these preconditions are met, completing the nationwide roll-out by 01.07.2018 as is required by the eHealth law is still the goal and is still possible. Roll-out will then need to be done in 12-15 calendar months with a substantial number in 2017 and the rest during the first 6 months of 2018.

OUTLOOK

The business model of CGM, 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 395 million at the beginning of 2017, compared to EUR 380 million at the beginning of 2016. This corresponds to a 4 percent increase.

Total Group revenue is in 2017 expected to be in the range of EUR 600 million to EUR 630 million, corresponding to a growth rate of 7-12 percent. Acquisitions completed to date are expected to give a growth contribution of EUR 8 million and organic growth is expected to be 6-11 percent. This outlook is based on the assumption that the roll-out of the Telematics Infrastructure in Germany will begin in the middle of 2017 with a gradual increase in monthly installations over the second half of the year.

Revenue in the HPS I segment is expected to be in the range of EUR 460 million to EUR 480 million, corresponding to a growth rate of 9-14 percent. AIS revenue is expected to be in the range of EUR 357 million to EUR 375 million including a growth contribution of approximately EUR 3 million from acquisitions. PCS revenue is expected to be in the range of EUR 103 million to EUR 105 million including a growth contribution of approximately EUR 5 million from acquisitions.

Revenue in the HPS II segment is expected to be in the range of EUR 73 million to EUR 75 million with no material organic growth expected in 2017.

Revenue in the HCS segment is expected to be in the range of EUR 67 million to EUR 75 million in 2017, corresponding to an organic growth rate of 3-16 percent.

In terms of profitability, 2017 is again expected to be a year of margin expansion relative to 2016, despite the significant increase in personnel resources currently undertaken to execute and support the nationwide roll-out of the Telematics Infrastructure in Germany. Operating margin (EBITDA margin) is expected to be in the range of 23-24 percent and the corresponding EBITDA is expected to be in the range of EUR 138 million to EUR 150 million.

Depreciation of fixed assets is on Group level expected to be approximately EUR 8 million in 2017 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 2017 expected to be in the range of EUR 96 million to EUR 108 million.

Overall assessment (guidance)

In summary, CompuGroup Medical offers the following guidance for 2017:

- + Group revenue is expected to be in the range of EUR 600 million to EUR 630 million.
- + Group operating income (EBITDA) is expected to be in the range of EUR 138 million to EUR 150 million.

The foregoing outlook is given as at February 2017 and does not include revenue and costs associated with potential and currently undetermined further acquisitions during 2017. The outlook for 2017 represents management's best estimate of the market conditions that will exist in 2017 and how the business segments of CompuGroup Medical will perform in this environment.

PRELIMINARY INCOME STATEMENT

for the reporting period of 1 January - 31 December 2016

	01.10-31.12 2016 EUR '000	01.10-31.12 2015 EUR '000	01.01-31.12 2016 EUR '000	01.01-31.12 2015 EUR '000
Continuing operations				
Sales revenue	153,599	146,848	560,106	543,066
Capitalized in-house services	3,511	884	10,331	9,615
Other income	992	1,929	7,413	3,859
Expenses for goods and services purchased	-31,306	-26,480	-104,558	-100,511
Personnel expenses	-67,625	-62,418	-260,253	-250,626
Other expenses	-22,134	-27,460	-86,518	-93,084
Earnings before interest, taxes, depr. and amortization (EBITDA)	37,037	33,303	126,521	112,319
Depreciation of property, plants and tangible assets	-2,639	-2,100	-8,424	-7,798
Earnings before interest, taxes and amortization (EBITA)	34,399	31,203	118,097	104,521
Amortization of intangible assets	-9,818	-11,340	-35,405	-36,747
Earnings before interest and taxes (EBIT)	24,581	19,863	82,692	67,774
Results from associates recognized at equity	-586	-966	-1,254	-911
Financial income	5,050	1,211	7,943	14,136
Financial expenses	-3,210	-4,176	-14,221	-18,795
Earnings before taxes (EBT)	25,835	15,933	75,160	62,204
Income taxes for the period	-8,401	-7,284	-25,749	-23,582
Consolidated net income of the period	17,434	8,649	49,411	38,622
Discontinued operations				
Profit for the period from discontinued operations	0	0	0	0
Consolidated net income of the period	17,434	8,649	49,411	38,622
of which: allocated to parent company	17,482	8,539	49,529	38,494
of which: allocated to minority interests	-48	110	-118	128
Earnings per share				
undiluted (in EUR)	0.35	0.17	1.00	0.77
diluted (in EUR)	0.35	0.17	1.00	0.77
Further information of the company:				
Cash net income (EUR) *	27,195	19,153	81,644	72,865
Cash net income * per share (EUR)	0.55	0.39	1.64	1.47

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

PRELIMINARY STATEMENT OF FINANCIAL POSITION

as at 31 December 2016

ASSETS

	31.12.2016 EUR '000	31.12.2015 EUR '000
Non-current assets		
Intangible assets	538,219	543,967
Tangible assets	74,056	60,395
Financial assets		
Investments in Associates and Joint Ventures	4,735	2,953
Other participations	168	261
Trade receivables	8,859	8,982
Other financial assets	4,644	2,281
Deferred taxes	5,255	7,948
	635,935	626,786
Current assets		
Inventories	5,271	6,515
Trade receivables	115,828	111,187
Other financial assets	1,837	2,269
Other non-financial assets	15,784	13,932
Income tax claims	3,311	4,560
Securities (recognized as profit of loss at fair value)	61	150
Cash and cash equivalents	28,750	25,057
	170,841	163,670
Assets of disposal group classified as held for sale	1,222	1,222
	807,998	791,678

SHAREHOLDER EQUITY AND LIABILITIES

	31.12.2016 EUR '000	31.12.2015 EUR '000
Shareholder Equity		
Subscribed capital	53,219	53,219
Treasury shares	-20,292	-20,292
Reserves	189,925	159,364
Capital and reserves allocated to the shareholder of the parent company	222,852	192,291
Minority interests	765	319
	223,617	192,610
Long-term liabilities		
Provision for post-employment benefits and other non-current provisions	24,078	21,945
Liabilities to banks	316,122	310,158
Purchase price liabilities	3,531	4,632
Other financial liabilities	12,549	15,923
Other non-financial liabilities	2,842	3,915
Deferred taxes	37,763	48,418
	396,885	404,991
Current liabilities		
Liabilities to banks	42,073	41,934
Trade payables	31,568	27,349
Income tax liabilities	24,056	35,136
Provisions	29,839	29,083
Purchase price liabilities	9,341	9,180
Other financial liabilities	16,429	18,418
Other non-financial liabilities	34,190	32,977
	187,495	194,077
Liabilities associated directly with non-current assets qualified as held for sale	0	0
	807,998	791,678

CompuGroup Medical SE
Maria Trost 21
56070 Koblenz
Germany

Synchronizing Healthcare



**CompuGroup
Medical**