CompuGroup Medical AG

Financial Report
1 January - 31 March 2014

Synchronizing Healthcare

CompuGroup Medical

Contents

Key Events and Figures

+ First quarter revenue of EUR 122.1 million, an increase of 8 percent compared to the same period of 2013
+ Organic growth of 1 percent at constant exchange rates
+ Operating profit (EBITDA) of EUR 22.0 million, down from EUR 25.5 million last year
+ Market share in software for doctors doubled in France through the acquisition of Imagine Group
+ Strengthened market position in Laboratory Information Systems through the acquisition of vision4health
+ Telematics Infrastructure project in Germany on track
+ Positive sales development in US market with over 30 percent growth in bookings
+ 2014 guidance reaffirmed

EUR ´000	01.01-31.03 2014	01.01-31.03 2013	Change
Revenue	122,067	113,519	8%
EBITDA	21,966	25,487	-14%
margin	*18%*	*22%*	
EBITA	20,025	23,626	-15%
margin	*16%*	*21%*	
EPS (EUR)	0.10	0.21	-54%
Cash net income (EUR)*	11,986	17,446	
Cash net income per share (EUR)	0.24	0.35	-31%
Cash flow from operating activities	40,187	47,892	
Cash flow from investing activities	-30,646	-9,547	
of which equity acquisitions	-23,551	-3,215	
Number of shares outstanding (‘000)	49,724	49,618	
Net debt	289,019	212,273	

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

Management report

THE CGM GROUP

CompuGroup Medical AG Group (CGM) develops and sells efficiency- and quality-enhancing software as well as information technology services exclusively for the healthcare sector. The company plays a leading role in the development of global e-health solutions and enjoys market leadership in Germany as well as in other key European countries. CGM's software products and related services are designed to support all medical and organizational activities in doctors' offices, medical laboratories, pharmacies, hospitals and other provider organizations. Its information services for health insurance companies and pharmaceutical producers contribute towards safer and more efficient healthcare. The company's services are based on a unique customer base of doctors, dentists, hospitals and pharmacies, as well as other service providers in healthcare.

CGM is currently represented with offices and employees in 19 countries. According to internal figures, CGM has software maintenance contracts in the HPS I segment (AIS and PCS) corresponding to approximately 250,000 healthcare professionals (doctors, dentists and pharmacists). Total reach across all segments is estimated at approximately 400,000 healthcare professionals.

The Group had an average of 3,937 full-time equivalent employees during the first quarter of 2014 (previous year: 3,413). As at 31 March 2014, the total number of full time equivalent employees in group companies was 3,946 (previous year: 3.451). Personnel expenses during the first quarter of 2014 was EUR 60.6 million (previous year: EUR 53.4 million) and consists mainly of salaries, social security contributions and related expenses. In addition, variable performance-based pay may be granted to senior executives and sales staff.

COURSE OF BUSINESS

The following sections describe the main operational developments during the first quarter of 2014.

Ambulatory Information Systems

The doctor and dental software business in Europe had a good first quarter with 6 percent year-on-year organic growth at constant exchange rates. In Germany, a significant part of the growth is related to the Telematics Infrastructure and Electronic Health Card (eGK) project.

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 8.3 million (USD 11.4 million) corresponds to -18 percent year-on-year contraction (-14 percent at constant exchange rates). In terms of sales and order bookings, the outcome in the first quarter 2014 showed a significant improvement and was over 30 percent higher than the same period last year (USD 4.5 million vs. USD 3.4 million). CGM software solutions and services do meet the needs of the market very well and CGM will continue to expand the direct sales force in the US throughout 2014 to further strengthen distribution and restore organic growth in the US business.

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

The first 6 months of the project is a period of research and development and after the first quarter of 2014, the project is well under way to meet its objectives. Real life testing of system components is estimated to begin in the third quarter 2014 with the sequential inclusion of products and services as they become ready. A pre-pilot period is scheduled for the fourth quarter 2014 whereas the official pilot period will most likely begin early 2015. CGM has already recruited 180 doctors (out of approximately 500 required) to participate in the pilot, which corresponds to a 30% participation rate out of the doctors contacted to date. The interest in the project from the provider side has been stronger than expected.

The Telematic Infractructure is a long-term growth opportunity for CGM and the pilot project is only the first stage in a transformation to a significantly higher revenue opportunity for CGM. With a potential full rollout (est. begin 2016) 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.

Acquisition of the Imagine Group, France

As of 16 December 2013 CGM AG signed a contract to acquire 100 percent of the Imagine Group in France, with closing date on the 16 January 2014. A pre-payment in the amount of EUR 18.0 million for the purchase price was made already at the singing date in December. The Imagine Group consists of the companies Imagine Editions SAS and Imagine Assistance SARL, both located in Soulac Sur Mer (France). The companies offer the software "HelloDoc" which targets primary care physicians and dentists. The product is currently used by about 20,000 doctors. With this acquisition, CGM doubles the market share in France to now approximately 40 percent of computerized practices. The Imagine Group realized revenue of approximately EUR 7.7 million and EBITDA of approximately EUR 0.9 million in 2013. Consolidation of the Imagine Group began 1 January 2014.

Acquisition of vision4health Laufenberg & Co

On January 6th 2014, the 100% 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. The total turnover of the vision4health group was in 2013 approximately 13 million Euros with an EBITDA of approximately 0.1 million Euros. Consolidation of vision4health began 1 January 2014.

Pharmacy Information Systems

As expected, the pharmacy software business had a good first quarter with 4 percent organic growth in the established German market and a further 32 percent growth contribution from the new companies in Italy which were acquired in July 2013.

The announcement from Microsoft to cease support for Windows XP and Office / Word 2003 in 2014 has 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. A strong market for system upgrades is expected to remain during 2014.

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. 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 is being prepared for the transition to the OneGroup system in July. 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, 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. CGM 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.

Hospital Information Systems

In the hospital segment, the start to 2014 has been less than satisfactory with weak revenue and -8 percent year-on-year contraction. Austria and Switzerland, together representing about 50 percent of CompuGroup's hospital business, had 4 percent organic growth and a positive start to the year. In Germany, representing approximately 30 percent of the hospital business, revenue contracted 12 percent year-on-year due to a significantly lower volume of license sales and low utilization of consulting staff. The business in Poland also had 23 percent lower revenue than last year due to a period of lower activity in a large public-sector eHealth project.

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.

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 CompuGroup Medical. Since 2004, the hospital has been using CGM's legacy HIS solution "CGM PHOENIX" and has built custom made medical applications on top. From the outset it was clear that no exchange of the existing fully functional HIS whould take place, but instead the harmonization of individual applications of hospitals as well as their modernization. Beginning in 2014, the Limmattal hospital will begin a long-term migration strategy to replace core applications for medication, care management, coding and process controlling via CGM's G3 modules. By 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.

Communication & Data

As expected, the revenue level in Communication & Data continues to decline also in 2014, driven by regulatory changes and shifting priorities within the main customer group being pharmaceutical companies. No other material developments were experienced during the first 3 months of 2014.

eHealth Business Media
In March, 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

Except for a significant negative currency exchange effect from the claims processing business in Turkey (30% weakening of currency – 0.4 m€ year-on-year effect) the first 3 months of 2014 have developed as expected, also considering declining revenue from maintenance of old administrative software applications for German insurance companies, products which were phased-out during 2013 but still running in the first quarter last year. 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, 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.

RESULTS OF GROUP OPERATIONS

Unless stated otherwise, all figures in the management report refer to the first quarter of 2014 and 2013 respectively, i.e. the three month period 01.01 – 31.03 (Q1).

Revenue

Revenue in the first quarter of 2014 was EUR 122.0 million compared to EUR 113.5 million in the same period last year. This corresponds to 8 percent growth. Acquisitions give a 9 percent contribution to growth and organic growth was -1 percent (+1 percent at constant exchange rates).

In the HPS I segment, first quarter revenue was EUR 90.2 million compared to EUR 79.5 million in 2013. This corresponds to 13 percent growth. Acquisitions give an 11 percent contribution to growth and organic growth was 2 percent (4 percent at constant exchange rates). First quarter revenue in Ambulatory Information Systems (AIS) was EUR 72.0 million compared to EUR 66.1 million in 2013. This corresponds to 9 percent growth (11 percent at constant exchange rates) of which organic growth was 1 percent (3 percent at constant exchange rates). 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 8.3 million (USD 11.4 million) corresponds to -18 percent year-on-year contraction (-14 percent at constant exchange rates). The European AIS business had a good quarter with 4 percent organic growth (6 percent at constant exchange rates). First quarter revenue in Pharmacy Information Systems (PCS) was EUR 18.2 million compared to EUR 13.4 million in 2013. This represents 36 percent growth of which 4 percent is organic growth.

HPS I revenue development (including acquisitions and exchange rate effects):

EUR m	01.01-31.03 2014	01.01-31.03 2013	Change
Ambulatory Information Systems	72.0	66.1	9%
Pharmacy Information Systems	18.2	13.4	36%
SUM	90.2	79.5	13%

In the HPS II segment, the year-on-year organic contraction in Hospital Information Systems (HIS) was -8 percent going from the first quarter 2013 to 2014. It has been a weak quarter in the hospital business especially in the German market.

HPS II revenue development (including acquisitions and exchange rate effects):

EUR m	01.01-31.03 2014	01.01-31.03 2013	Change
Hospital Information Systems	17.8	19.4	-8%
SUM	17.8	19.4	-8%

In the HCS segment, revenue was EUR 14.0 million compared to EUR 14.5 million in the first quarter of 2013. This represents a decrease of 3 percent (flat revenue at constant exchange rates). Revenue in Communication & Data contracted -2 percent, from EUR 4.9 million in the first quarter of 2013 to EUR 4.8 million in the first quarter of 2013. First time consolidation of marketing revenue in "eHealth Business Media" was EUR 0.3 million and organic contraction was -6 percent. In Workflow & Decision Support there is a significant negative currency exchange effect from the claims processing business in Turkey (30% weakening of currency -0.4 m€ year-on-year effect). This leads to a -5 percent organic contraction in business volume (1 percent organic growth at constant exchange rates). In the Internet Service Provider area, no revenue related to the Telematik Infrastructure was recognized in the first quarter 2014. A significant revenue increase is expected in this area in the coming quarters.

HCS revenue development (including acquisitions and exchange rate effects):

EUR m	01.01-31.03 2014	01.01-31.03 2013	Change
Communication & Data	4.8	4.9	-2%
Workflow & Decision Support	6.6	6.9	-5%
Internet Service Provider	2.6	2.6	-1%
SUM	14.0	14.5	-3%

Changes to currency exchange rates reduced Group revenue by EUR 1.7 million going from the first quarter of 2013 to the first quarter of 2014.

Profit

Consolidated EBITDA amounted to EUR 22.0 million compared to EUR 25.5 million in the first quarter of 2013. The corresponding operating margin was 18 percent compared to 22 percent in 2013. The main reasons for the lower operating margin in 2014 are:

+ High fixed costs in the hospital business which erodes margins when revenue falls short of expectations
+ Transaction costs and integration of several newly acquired companies which together leaves no operating margin on this revenue in the first quarter of 2014
+ Investments in product and service line expansion related to the Telematik Infrastruktur project in Germany with no operating margin on this revenue in the first quarter of 2014
+ Continued investments in product and service improvements, sales and marketing in the United States with a negative operating result realized during the first quarter of 2014
+ 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 main developments in operating expenses were:

+ Expenses for goods and services increases EUR 2.9 million year-on-year with a gross margin of 81 percent, which is 1 percent higher than in the first quarter last year. The change in gross margin is due to a slightly lower combined gross margin in companies acquired during the last 12 months (22 percent) and a slight increase in costs of goods related to the Telematics Infrastructure project.
+ Personnel expenses are up 13 percent from last year at EUR 60.6 million (first quarter 2013: 53.4 million). 10 percent of this increase (EUR 5.3 million) is attributable to new employees in companies acquired during the last 12 months.
+ Other expenses are EUR 2.2 million higher than last year at EUR 19.5 million (first quarter 2013: 17.3 million). All of this increase (EUR 2.3 million) is related to other expenses in companies acquired during the last 12 months.

Depreciation of tangible fixed assets in the first quarter is mostly unchanged from last year at EUR 1.9 million. Amortization of intangible fixed assets went from EUR 7.9 million in 2013 to EUR 8.0 million in 2014. This is primarily driven by the amortization of intangible assets related to companies acquired during the last 12 months as well as adjustments to the useful life of intangible assets and changes in foreign exchange rates.

Financial income decreased from EUR 3.2 million in the first quarter 2013 to EUR 0.5 million this year due largely to changes in currency exchange rates which lead to non-cash translation gains and losses on Group internal debt.

The financial expense increased from EUR 4.7 million in the first quarter 2013 to EUR 5.5 million in the same period this year and is composed of the following items:

EUR m	01.01-31.03 2014	01.01-31.03 2013
Interest and expenses on syndicated loan facility	2,492	2,406
Interest and expenses on other loans and financial services	1,491	1,296
Changes in purchase price liabilities	654	520
Translation loss on non-Euro internal debt	907	452
SUM	5,544	4,674

After tax earnings came in at EUR 4.6 million in the first quarter of 2014, down from EUR 10.1 million in the first quarter of 2013. The tax rate was 30 percent in the first quarter this year compared to 29 percent in the first quarter of 2013. The different tax rates are mostly due to non-cash changes in deferred tax assets and liabilities, losses in tax free areas as well as changes in non-tax relevant currency conversion.

Cash net income decreased from EUR 17.4 million in the first quarter 2013 to EUR 12.0 million in the first quarter 2014, corresponding to a Cash net income per share of 24 Cent (Q1/2013: 35 Cent).

Cash flow
Cash flow from operating activities during the first quarter of 2014 was EUR 40.2 million compared to EUR 47.9 million in the same period 2013. The changes compared to 2013 mainly come from the following positions:

+ Adjusted for non-cash earnings/expenditures and cash taxes, the gross cash flow from operations before change in working capital is virtually unchanged with EUR 14.3 million compared to EUR 14.6 million in the first quarter of 2013.

+ Change in working capital gave an increase in operating cash flow of EUR 25.9 million compared to EUR 33.3 million in the first quarter 2013. This shift is mostly due to a slightly later invoicing of maintenance contracts in 2014 related to the migration process of customer contract into the new OneGroup ERP/CRM system. This effect is expected to even out during the second quarter 2014.

Cash flow from investment activities during the first quarter of 2014 amounted to EUR -30.6 million compared to EUR -9.5 million in the same period last year. During the first quarter of 2014, CGM's capital expenditure consisted of the following:

EUR m	01.01-31.03 2014	01.01-31.03 2013
Company acquisitions (vision 4 health group)	23.6	3.2
Purchase of minority interest and past acquisitions	0.0	3.0
Capitalized in-house services and other intangible assets	4.5	2.7
Office buildings and property	0.5	0.1
Other property and equipment	2.1	0.6
SUM	30.6	9.6

Capitalized in-house services and other intangible assets include EUR 1.6 million in licenses and related services for a new Group-wide ERP/CRM system.

Cash flow from financing amounted to EUR -6.4 million in the first quarter 2014 (previous year: EUR -41.5 million) and relates to the net cash outflow from repayment of loans.

Statement of financial position
Since the statement of financial position from 31 December 2013, total assets increased by EUR 42.0 million to EUR 733.1 million as at 31 March 2014. The largest changes to individual asset classes are a EUR 17.4 million increase in intangible assets and a EUR 19.7 million increase in trade receivables. For all other assets there are only minor changes during the first quarter of 2014.

Group equity was EUR 188.8 million as at 31 March 2014, up from 184.7 million as at 31 December 2013. The increase in equity comes after consolidating EUR 4.6 million in net profit for the period from 01 January 2014 to 31 March 2014 less EUR -0.4 million from the equity effect from changes in currency exchange rates and change in interest rates (actuarial gains and losses from pensions) and change in market value of interest rate swaps. The equity ratio is at 25.8 percent as at 31. March 2014.

The biggest changes to liabilities are decreases in long and short term debt of EUR 6.3 million and a EUR 47.2 million increase in current non-financial liabilities mostly related to seasonal pre-payments of software maintenance contracts balanced under other liabilities.

Reasearch & Development
Under IAS 38, development work on internally generated software must be capitalized if certain criteria are fulfilled. This generated EUR 2.5 million additional operating profit for the Group during the first quarter of 2014 (previous year EUR 1.8 million), less amortization and write-downs of EUR 0.6 million during the same period (previous year EUR 0.7 million). Most of the capitalized software development expenses are accounted for by two projects, G3.HIS (new HIS system development) and G3.AIS (new AIS software generation). Upon completion, the software will be amortized based on its useful life.

REPORT ON EXPECTED DEVELOPMENTS

Revenue in the first quarter of 2014 was somewhat mixed with a weak performance in the hospital business and a significant year-on-year currency exchange effect. Otherwise, revenue in Q1 was in line with internal plans. For the remainder of 2014, CGM has the following update on revenue per business segment.

+ AIS: Revenue recognized from the Telematics Infrastructure project is expected to increase in the coming quarters and a gradual return to growth in the US is also expected during 2014 based on current booking trends. Other areas are expected to continue as today. Expected full year AIS revenue remains unchanged at EUR 294 million to EUR 300 million. Directionally, revenue may also exceed the high end of the range.

+ PCS: The positive market and development in the first quarter is expected to continue throughout the year. Expected full year PCS revenue remains unchanged at EUR 73 million to EUR 74 million.

+ HIS: Based on current backlog and booking trends, CGM does not expect a short-term improvement in the hospital business. Effects from current initiatives can potentially improve revenue in the second half of the year and expected full-year HIS revenue remains unchanged at EUR 80 million to EUR 82 million. Directionally, revenue may also fall short of the low end of the range.

+ C&D: The market and development in the first quarter is expected to continue throughout the year with some quarterly fluctuations. Expected full year C&D revenue remains unchanged at approximately EUR 21 million.

+ W&DS: Some sequential growth in revenue is expected based on extension of existing contracts and also some new contracts signed. Expected full year W&DS revenue remains unchanged at EUR 26 million to EUR 27 million.

+ AIS: Revenue recognized from the Telematics Infrastructure project is expected to increase in the coming quarters. Other areas are expected to continue as today. Expected full year ISP revenue remains unchanged at approximately EUR 16 million.

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

In summary, CompuGroup Medical reaffirms the guidance for 2014 as:

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

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

REPORT ON OPPORTUNITIES AND RISKS

As an internationally operating company, CompuGroup Medical is subject to variety of different risks. These risks mainly include strategic and macroeconomic risks as well as operating, legal and political risks. Furthermore, the group is faced with risks resulting from its project-business, risks related to key personnel and financial risks.

The group's technological expertise and market knowledge makes it possible to assess risk and apply appropriate measures to actively manage the risk exposure. To guarantee a responsible risk handling, CompuGroup Medical works with standardized, group-wide integrated risk management system so that risks can be identified and analyzed at an early stage. A detailed description of the main risks and the specific structure of the risk management system can be found in the CompuGroup Medical AG annual report of 2013. It can be downloaded free of charge from the company's homepage at www.cgm.com.

With the exception of the factors described under "Financial and Operational Review", we see no changes compared to the risk and opportunities described in the group management report for the financial year 2013. Risks that may impact the company as a going concern were not evident during the first quarter 2014, neither in form of individual risks nor from the total risk position for CompuGroup Medical as a whole.

Interim Statement of Financial Position

as at 31 March 2014

ASSETS

	31.03.2014 EUR '000	31.03.2013 EUR '000	adjusted 31.12.2013 EUR '000
Non-current assets			
Intangible assets	503,657	457,604	486,239
Tangible assets	61,932	59,218	61,224
Financial assets			
Interests in affiliates (valued as equity)	642	645	637
Other Investments	130	128	130
Trade receivables	8,959	8,752	8,915
Other financial assets	1,195	9,769	1,831
Derivative financial instruments	6,056	4,417	6,056
Deferred taxes	2,709	3,029	1,764
	585,280	543,560	566,796
Current assets			
Inventories	5,774	3,669	4,185
Trade receivables	95,497	79,625	75,838
Other financial assets	3,198	4,351	2,723
Other non-financial assets	7,883	10,389	8,648
Income tax claims	8,959	3,762	8,420
Securities (recognized as profit of loss as fair value)	174	106	665
Cash and cash equivalents	26,358	15,886	23,453
	147,843	117,788	123,932
Assets of disposal group classified as held for sale	0	4,494	381
	733,123	665,842	691,109

SHAREHOLDER EQUITY AND LIABILITIES

	31.03.2014 EUR '000	31.03.2013 EUR '000	adjusted 31.12.2013 EUR '000
Shareholder Equity			
Subscribed capital	53,219	53,219	53,219
Treasury shares	-20,292	-20,903	-20,292
Reserves	160,148	159,734	155,842
Capital and reserves allocated to the shareholder of the parent company	193,075	192,050	188,769
Minority interests	-4,245	-42	-4,102
	188,830	192,008	184,667
Long-term liabilities			
Pension provision	10,881	11,270	10,500
Liabilities to banks	268,641	201,600	278,108
Purchase price liabilities	2,584	1,362	2,573
Other financial liabilities	1,452	10,372	1,333
Other non-financial liabilities	2,786	2,929	3,060
Derivative financial instruments	7,161	2,813	7,852
Deferred taxes	48,972	44,449	47,603
	342,477	274,796	351,029
Current liabilities			
Liabilities to banks	46,736	26,559	43,559
Trade payables	19,394	15,713	23,076
Income tax liabilities	13,891	18,178	14,645
Provisions	24,977	22,656	24,083
Purchase price liabilities	9,393	27,216	9,394
Other financial liabilities	6,122	7,302	6,315
Other non-financial liabilities	81,303	80,240	34,138
	201,816	197,864	155,210
Liabilities associated directly with non-current assets qualified as held for sale	0	1,174	203
	733,123	665,842	691,109

Interim Income statement

for the reporting period of 1 January - 31 March 2014

EUR '000	01.01-31.03 2014	01.01-31.03 2013	01.01-31.12 2013
Continuing operations			
Sales revenue	122,067	113,519	459,555
Capitalized in-house services	2,547	1,838	9,651
Other Income	333	773	2,512
Expenses for goods and services purchased	-22,896	-19,959	-79,352
Personnel costs	-60,632	-53,433	-214,941
Other expense	-19,453	-17,250	-79,649
Earnings before interest, taxes depr. and amortization (EBITDA)	21,966	25,487	97,776
Depreciation of property, plants and tangible assets	-1,941	-1,861	-7,373
Earnings before interest, taxes and amortization (EBITA)	20,025	23,626	90,403
Amortization of intangible assets	-7,989	-7,925	-33,575
Earnings before interest and taxes (EBIT)	12,036	15,701	56,828
Results from associates recognised at equity	-7	-14	-20
Financial income	509	3,183	4,318
Financial expense	-5,544	-4,674	-25,918
Earnings before taxes (EBT)	6,994	14,196	35,208
Income taxes for the period	-2,269	-4,047	-13,033
Consolidated net income for the period from continuing operations	4,725	10,149	22,175
Discontinued operations			
Profit for the period from discontinued operations	-140	104	-457
Consolidated net income for the period	4,585	10,253	21,718
of which: allocated to parent company	4,727	10,323	23,147
of which: allocated to minority interests	-142	-70	-1,429
Earnings per share			
undiluted (EUR)	0.10	0.21	0.48
diluted (EUR)	0.10	0.21	0.48
Cash net income (EUR)*	11,986	17,446	51,663
Cash net income per share (EUR)	0.24	0.35	1.04

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

Interim Statement of Comprehensive Income

for the reporting period of 1 January - 31 March 2014

EUR '000	01.01-31.03 2014	01.01-31.03 2013	01.01-31.12 2013
Consolidated net income for the period	4,585	10,253	21,718
Other results			
Items that will not be reclassified to profit or loss at a future point in time			
Actuarial gains and losses on defined benefit plans	-40	-52	461
Deferred taxes on Actuarial gains and losses on defined benefit plans	5	16	-123
Items that will be reclassified to profit or loss at a future point in time when specific conditions are met			
Cash flow hedges			
of which: in equity	690	1,976	129
of which: income	0	0	4,367
Deferred taxes on cash flow hedges	-207	-593	-1,349
Currency conversion differences	-869	1,101	-1,317
Total comprehensive imcome for the period	4,164	12,701	23,886
of which: allocated to parent company	4,306	12,771	25,315
of which: allocated to minority interests	-142	-70	-1,429

Interim Cash Flow Statement

as at 31 March 2014

	01.01-31.03 2014 EUR '000	01.01-31.03 2013 EUR '000	01.01-31.12 2013 EUR '000
Group net income	4,585	10,253	21,718
Amortization of intangible assets, plant and equipment	9,930	9,786	40,948
Earnings on sales of fixed assets	0	0	-56
Change in provisions (including income tax liabilities)	-31	-206	-5,284
Change in deferred taxes	-1,025	-3,467	-7,033
Other non-cash earnings/expenditures	806	-1,758	8,593
	14,265	14,608	58,886
Change in inventories	-1,361	-352	-266
Change in trade receivables	-12,991	-10,602	22
Change in income tax receivables	-539	-1,927	-4,407
Change in other receivables	1,666	-30	2,538
Change in trade accounts payables	-4,299	-1,774	1,619
Change in other liabilities	43,446	47,969	-6,061
Cash flow from operating activities	40,187	47,892	52,331
Cash inflow on disposals of intangible assets	18	5	133
Cash outflow for capital expenditure in intangible assets	-4,563	-2,660	-16,506
Cash inflow on disposals of sales of property, plant and equipment	58	408	514
Cash outflow for capital expenditure in property, plant and equipment	-2,608	-1,094	-7,540
Cash outflow for the acquisition of subsidiaries	-23,551	-3,215	-16,697
Cash outflow for the acquisition of subsidiaries from prior periods	0	-2,991	-22,411
Cash outflow for prepayments for the acquisition of subsidiaries	0	0	-18,000
Cash flow from investing activities	-30,646	-9,547	-80,507
Paid share capital from minorities shareholders	0	0	125
Dividends paid	0	0	-17,366
Capital contributions from Non-controlling interests	0	0	-237
Cash inflow from assumption of loans	47,493	0	94,644
Cash outflow from the repayment of loans	-53,877	-41,495	-44,128
Cash flow from financing activities	-6,384	-41,495	33,038
Cash and cash equivalents at the beginning of the period	23,339	18,953	18,953
Change in cash and cash equivalents	3,157	-3,150	4,862
Changes in cash due to exchange rates	-138	83	-476
Cash and cash equivalents at the end of the period	26,358	15,886	23,339
Interest paid	3,806	3,297	14,505
Interest received	137	247	402
Income tax paid	3,294	3,164	30,048

Interim Changes in Consolidated Equity

as at 31 March 2014

EUR '000	Share capital	Treasury shares	Other reserves	Accumulated other comprehensive income: Other Hedges	Accumulated other comprehensive income: Cashflow conversion	Attributable to owners of CompuGroup Medical AG	Non-controlling interest	Total equity
Balance as at 01.01.2013	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*								
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								
Dividend distribution	0	0	-17,366	0	0	-17,366	0	-17,366
Own shares	0	611	1,389	0	0	2,000	0	2,000
Non-controlling interests from acquisitions	0	0	0	0	0	0	199	199
Additional purchase of shares from non-controlling intrests after control	0	0	-73	0	0	-73	-164	-237
Capital contributions	0	0	0	0	0	0	125	125
	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	4,727	0	0	4,727	-142	4,585
Other results								
Cashflow Hedges	0	0	0	483	0	483	0	483
Actuarial gains and losses	0	0	-35	0	0	-35	0	-35
Currency conversion differences	0	0	0	0	-869	-869	0	-869
Total result of the period	0	0	4,692	483	-869	4,306	-142	4,164
Transactions with shareholders								
Dividend distribution	0	0	0	0	0	0	0	0
Stock option program	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0
Balance as at 31.03.2014	53,219	-20,292	173,484	-4,974	-8,362	193,075	-4,245	188,830

* Out of other results TEUR 35 relate to Non-controlling interest, resulting entirely to actuarial gains and losses.

Explanatory notes

GENERAL ACCOUNTING PRINCIPLES FOR THE INTERIM FINANCIAL REPORT

General Accounting Principles

The accompanying condensed IFRS-Interim Financial Statements for the period ended 31 March 2014 is a Consolidated Financial Statement. Unless otherwise specified, all amounts are provided in thousands of euros (EUR thousands) or millions of Euros (EUR millions). Rounding differences of +/- one unit (EUR thousands, percent, etc.) may arise as a result of calculations.

The third quarter consolidated financial statements as of 31 March 2014 have been prepared, like the Consolidated Annual Financial Statements for the year 2012, in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU. This Consolidated Interim Financial Statements prepared in accordance with IAS 34 is condensed compared with the scope applied of the Consolidated Financial Statements for the full year. Apart from the exceptions detailed hereinafter for new or revised standards, the accounting policies in the interim Financial Statements are consistent with those used in the Consolidated Financial Statements for the year ended 31 December 2013. Relevant information can be found in the Consolidated Financial Statements as of 31 December 2013. This Consolidated Interim Financial Statements and the Interim Management Report were not reviewed by any auditor.

The overview below gives information about the relevant foreign exchange rates for the condensed consolidated interim IFRS-financial statements:

	Fixed rates		Average rates January - March	
1 € equals to	31.03.2014	31.12.2013	2014	2013
Danish Crowns (DKK)	7.47	7.46	7.46	7.46
Canadian Dollar (CAD)	1.52	1.47	1.54	1.33
Malaysian Ringgit (MYR)	4.50	4.52	4.54	4.07
Norwegian Crowns (NOK)	8.26	8.36	8.29	7.42
Polish Zloty (PLN)	4.17	4.15	4.20	4.16
Swedish Crowns (SEK)	8.95	8.86	8.87	8.47
Franc Switzerland (CHF)	1.22	1.23	1.22	1.23
South African Rand (ZAR)	14.59	14.57	14.86	11.83
Czech Crowns (CZK)	27.44	27.43	27.40	25.57
New Lira Turkey (TRY)	2.97	2.96	3.06	2.36
US Dollar (USD)	1.37	1.38	1.38	1.32

Unless otherwise stated, all figures refer to the first three months of 2014 and 2013 respectively. The business development showed no signs of significant cyclical fluctuations. The business volume normally tends to be higher in the second half of the year and in particular in the fourth quarter of the financial year (1 October – 31 December).

When preparing the Consolidated Interim Financial Statements management makes estimates and assumptions in the process of applying the accounting policies that may influence the amounts of assets, liabilities and contingent liabilities as well as expense and income. Although these assumptions and estimates were made to the best knowledge of the Management Board, actual results may differ from these estimates.

The main assumptions being used for preparing the Consolidated Interim Financial Statements are identical to those used for the preparation of the Consolidated Financial Statements as at year end 31 December 2013. In addition, assumptions have been made in the determination of the personnel expenses and provisions for post-employment benefits.

Standards, interpretations and changes to published standards to b e applied in 2014

As from 1 January 2014 the following new, revised and amended standards have to be applied for the first time. There will be no effects on the consolidated interim financial statements of CompuGroup Medical AG for the reporting period ending on the 31 March 2014 with the exception of the first time application of the IFRS 10.

Standard	Content	Applicable from
IFRS 10	Consolidated Financial Statements	1 January 2014
IFRS 11	Joint Arrangements	1 January 2014
IFRS 12	Disclosures of Interests in Other Entities	1 January 2014
IFRS 10, IFRS 11 and IFRS 12, Amendments	IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interest in Other Entities - transitional provisions	1 January 2014
IFRS 10, IFRS 12 und IAS 27, Änderungen	IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interest in Other Entities and IAS 27 Separate Financial Statements - investment companies	1 January 2014
IAS 27, revised	Separate Financial Statements	1 January 2014
IAS 28, revised	IAS 28, Investment in Associates and Joint Ventures	1 January 2014
IAS 32, amendment	Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities	1 January 2014
IAS 36, amendment	Impairment of Assets: Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014
IAS 39, amendment	Financial Instruments: Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014

Effects of the first time application of IFRS 10 – Consolidated Financial Statements

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

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

ASSETS

EUR '000	Adjusted 31.12.2013	IFRS 10 Adjustment Imagine-Group	31.12.2013
Non-current assets			
Intangibel assets	486,239	24,928	461,311
Property, plant and equipment	61,224	256	60,968
Financial assets			
Interests in affiliates (valued at-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
	566,796	25,184	541,612
Current assets			
Inventories	4,185	19	4,166
Trade receivables	75,838	863	74,975
Other fiancial assets	2,723	0	2,723
Other non-financial assets	8,648	-19,709	28,357
Income tax claims	8,420	24	8,396
Securities (recognized though profit and loss at fair value)	665	500	165
Cash and cash equivalents	23,453	114	23,339
	123,932	-18,189	142,121
Non-current assets qualified as held for sale	381	0	381
	691,109	6,995	684,114

EQUITY AND LIABILITES

EUR '000	Adjusted 31.12.2013	IFRS 10 Adjustment Imagine-Group	31.12.2013
Equity	53,219	0	53,219
Subscribed Capital	-20,292	0	-20,292
Treasury shares	155,842	0	155,842
Reservces	188,769	0	188,769
Capital and reserves allocated to the shareholders of the parent company	-4,102	0	-4,102
Minority interests	184,667	0	184,667
Non-current liabilites			
Pensions	10,500	222	10,278
Liabilities to banks	278,108	0	278,108
Purchase price liabilities	2,573	0	2,573
Other financial assets	1,333	0	1,333
Other non-financial assets	3,060	81	2,979
Derivative financial instruments	7,852	0	7,852
Deferred taxes	47,603	5,106	42,497
	351,029	5,409	345,620
Current liabilities			
Liabilities to banks	43,559	45	43,514
Trade payables	23,076	174	22,902
Income tax liabilities	14,645	34	14,611
Other provisions	24,083	814	23,269
Purchase price liabilities	9,394	0	9,394
Other financial liabilities	6,315	265	6,050
Other non-financial liabilities	34,138	254	33,884
	155,210	1,586	153,624
Liabilities related to non-current assets held for sale	203	0	203
	691,109	6,995	684,114

Effects of the first-time consolidation of IFRS 10

Preliminary purchase price allocation Imagine-Group, France

EUR '000	Acquisition Imagine-Group France
Acquisition date	16.12.2013
Voting rights acquired in %	100
Acquired assets and liabilities assumed and recognized at acquisition date	
Non-current assets	
Software	2,261
Customer relationships	12,395
Brands	665
Other fixed assets and office equipment	255
Current assets	
Inventories	19
Trade receivables	863
Cash and cash equivalents	114
Other non-financial assets	290
Other assets	524
Non-current liabilities	
Pensions	222
Other provisions	80
Deferred tax liabilities	5,107
Current liabilities	
Trade payables	174
Liabilities to banks	45
Other liabilities	849
Other financial liabilities	265
Other non-financial liabilities	254
Net assets acquired	178
Purchase price paid in cash	18,000
Issued equity instruments	2,000
Total consideration transferred	20,000
Goodwill	9,607
Acquired cash and cash equivalents	114
Purchase price paid in cash	18,000
Cash outflow for acquisition (net)	17,886
Effects of the acquisition on Group result	
Sales revenue since acquisition date	2,009
Net result since acquisition date	147
Costs attributable to the acquisition	141

The Imagine-Group offers the software „HelloDoc", one of the best recognized software for French general practitioners, pediatricians and dentists for more than 25 years. The software is currently used by 20,000 professionals. In addition to the HelloDoc software the Imagine-group offers data and tele-secretary services to healthcare professionals. In fiscal year 2013 the Imagine-Group generated sales of EUR 7,706 thousand and a EBITDA of EUR 888 thousand. The company has 110 employees. The purchase price totaled EUR 20 million, of which EUR 18.0 million was paid in cash and EUR 2.0 million in treasury shares.

From this acquisition, CGM expects to significantly expand its business in France by offering the software products of the Imagine-Group and other value-added services.

Synergies are expected to be realized by gaining know-how and realizing cost efficiencies (e.g. within Hotline and sales partner network). The provisional goodwill of EUR 9,607 thousand results especially from the synergies within the group as a result of the inclusion of the Imagine-Group into CGM. The acquired goodwill is expected not to be applicable for income tax deduction.
The preliminary fair value of the acquired intangible assets amounted to EUR 15,321 thousand.

The receivables and payables assumed with the acquisition, which essentially consist of trade receivables and trade 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. Uncollectable receivables were not identified of initial recognition. The preliminary fair value of pension liabilities or similar liabilities at the acquisition date amounts to EUR 221 thousand.

The initial disclosures for the acquisition of Imagine-Group was carried out in preliminary form, since the analysis of the acquired order backlog as well as the valuation of the acquired customer relationships, software and brands due partly not received or evaluated information.

Amendments, standards and interpretation published by the IASB but not yet adopted into European legislation

The IASB and the IFRIC have adopted several additional standards and interpretations in 2013 and the previous years which were not yet compulsorily applicable in the financial year 2014 beginning on the 1 January. The application of these IFRS and IFRIC is depended on the adoption by the EU ("endorsement")

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

The possibility of an early application for particular standards is given. CompuGroup Medical does not make use of the possibility of an early application of these standards. Currently CompuGroup Medical evaluates the consequences which will arise from the first time adoption of these standards. However it is not expected that there will be significant changes to the (interim-) consolidated financial statements due to the first time application of these standards.

Selected explanatory notes

Consolidation group

The Consolidated Interim Financial Statements as of 31 March 2014 include the Financial Statements of CompuGroup Medical AG and all companies controlled by CompuGroup Medical AG (subsidiaries). Consolidation begins from the date control is obtained and ends when control ceases to exist. Consolidated companies include those companies included in Financial Statements as of year-end 2013 and the newly acquired, disposed or founded subsidiaries as described in section "Company acquisitions, disposals and foundations" in the selected explanatory notes below.

Changes in the business and the economic circumstances

In comparison to financial year 2013 there have been no significant changes to the business and the economic circumstances CompuGroup Medical AG is exposed to with the exception of the factors described in the Interim Management Report.

Company acquisitions, disposals and foundations

Acquisition of the assets of the vision4health-Group, Germany

In January 2014, CompuGroupMedical Lab International GmbH, a wholly-owned subsidiary of CompuGroup Medical AG, acquired all material assets 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 requests for information and findings as well as other value-added services between healthcare providers and laboratory services. The 'molis vt channel' is one of the corner stones of Diagnostic Wide Area Networks connecting doctors' offices, medical centers, wards, outpatient departments and laboratories.

The total sales revenue of the vision4health Group was in 2013 approximately EUR 13,393 thousand with an EBITDA of approximately EUR 79 thousand. The purchase price amounted to EUR 23,551 thousand was paid fully in cash.

EUR '000	Acquisition of the assets of vision4health Group, Germany
Acquisition date	06.01.2014
Voting rights acquired in %	n.a.
Acquired assets and liabilities assumed and recognized at acquisition date	
Non-current assets	
Software	5,828
Customer relationships	9,206
Brands	2,434
Order backlog	314
Other fixed assets and office equipment	102
Other financial assets	16
Current assets	
Inventories	228
Trade receivables	6,212
Cash and cash equivalents	160
Other non-financial assets	210
Non-current liabilities	0
Current liabilities	
Trade payables	617
Liabilities to banks	94
Other liabilities	552
Other non-financial liabilities	3,372
Net assets acquired	2,296
Purchase price paid in cash	23,551
Total consideration transferred	23,551
Goodwill	3,476
Acquired cash and cash equivalents	160
Purchase price paid in cash	23,551
Prepayments on acquisitions	0
Payments for acquisitions after date of acquisition	0
Cash outflow for acquisition (net)	23,390
Effects of the acquisition on Group result	
Sales revenue since acquisition date	3,000
Net result since acquisition date	92
Costs attributable to the acquisition	230

The consolidation of vision4health Group began 6 January 2014.

From this acquisition, CGM expects to be able to significantly expand its laboratory information business in Germany, Switzerland, Belgium and France by offering innovative software products as well as services. Synergies are expected through the gaining of know-how and through cost efficiency opportunities. The preliminary goodwill of EUR 3,476 thousand results from the synergies within the Group as a result of the inclusion of vision4health Group into CGM. It is expected that the recognized goodwill will be partially deductible for tax purposes.

The preliminary fair value of the acquired intangible assets excluding goodwill amounts to EUR 17,779.

The initial consolidation of the acquisition of vision4health Group as at 6 January 2014 is carried out in preliminary form. The analysis of the acquired order backlog as well as the valuation of the acquired customer relationships, software and brands is not yet completed due to some not yet fully received or evaluated information.

Discontinued operations
As of 1 January 2013, CompuGroup Medical Deutschland AG, a 100 percent subsidiary of CompuGroup Medical AG, acquired control in Dr. Ralle Medienholding GmbH (formerly Perikles 2013 Vermögensverwaltung GmbH), Germany and its subsidiary Ärztenachrichtendienst Verlags-AG ("ÄND"), Germany.

CGM's establishment of control over "ÄND", went hand in hand with its intention to dispose of "ÄND" completely. Until November 2013, "ÄND" was reported as a subsidiary held for sale in accordance with IFRS 5. In November 2013, CGM abandoned its intention to dispose all of "ÄND", changing it to a partial disposal. The expected purchase price as at 31 December 2013 for the business segments "Online Portals" and "Publishing business", which are held for sale and classified as a disposal group, was EUR 210 thousand.

Effective by 31 March 2014 the assets and liabilities of the business segments "Online Portals" and "Publishing business" classified as held for sale were sold for a purchase price of EUR 396 thousand.

As a result of the purchase price being higher than expected on 31 December 2013, CGM has performed an appreciation in value on intangible assets impaired on the 31 December excluding Goodwill. Due to the sale of the discontinued operations, CGM has not realized any gain or loss.

Until sale 31 March 2014, the negative net result of EUR -140 thousand of business segments which were held for sale and classified as a disposal group, was included into CGM's consolidated net income for the period. In total assets of EUR 882 thousand and liabilities of EUR 486 thousand were sold.

Acquisitions and disposals of items of Tangible assets
In the first three months of financial year 2014, CompuGroup Medical AG acquired tangible assets such as office buildings and office equipment for a total amount of EUR 2.6 million.

Related-party transactions
The related-party transactions are as follows:

	Sale of goods		Purchase of goods		Receivables		Liabilities	
EUR '000	31.03.2014	31.12.2013	31.03.2014	31.12.2013	31.03.2014	31.12.2013	31.03.2014	31.12.2013
Related Persons	14	69	35	160	16	11	0	0
Related companies	878	3,052	1,040	4,300	964	992	201	389
Associated companies	12	37	8	29	24	53	8	41
Total	904	3,159	1,083	4,488	1,004	1,056	209	430

Compliance with payment obligations and financial covenants
In the first three month of the financial year 2014 CompuGroup Medical is compliant with all financial covenants entered in all of its loan agreements. Scheduled payment obligations on the SEB syndicated Term Loan Facility of EUR 15.0 million per year and other credit facilities of EUR 1.9 million were met entirely.
As at the end of the first quarter the liabilities to banks decreased compared to 31 December 2013 by EUR 6.3 million to EUR 315.4 million which primarily results from a lowerhigher utilization of the SEB revolving loan credit facility.

Other financial obligations and finance commitments
As at the 31 March 2014 the Group had open obligations from non-cancelable operating leases, maturing as follows:

EUR '000	31.03.2014	31.03.2013
Within 1 year	11,195	11,620
Between 2 and 5 years	21,838	16,278
Longer than 5 years	6,686	9,329
Total	39,719	37,227

Payments from operating lease agreements include rent for the Group's office equipment and particularly for office buildings (without purchase option). Lease agreements are concluded for an average term of three years. The rents are fixed for three to seven years. Operating leasing relationships are recognized pro rata in the income statement.

Other financial commitments did not change in the first quarter compared to 31 December 2013.

Financial instruments

The Group has various financial assets such as trade receivables and cash and cash equivalents, which result directly from operations. In the first quarter of financial year 2014 the same accounting policies and valuation methods that were applied in the Financial Statements as of year-end 2013 have been applied to the company's financial instruments.

The following table presents carrying amounts and valuation of the Group's financial instruments grouped by categories according to IAS 39:

			IAS 39 valuation			IAS 17 valuation	
Categories of financial instruments in accordance with IAS 39	Category according to IAS 39	Book value as at 31.03.2014	Acquisiton costs (continued)	Fair Value through profit and loss	Fair value regonized in equity	Acquisiton costs continued	Fair Value as at 31.03.2014
Financial assets							
Cash and cash equivalents	LaR	26,358	26,358	0	0	0	26,358
Trade receivables	LaR	75,650	75,650	0	0	0	75,650
Receivanles from construction contracts (PoC)	LaR	14,598	14,598	0	0	0	13,241
Other receivables	LaR	4,333	4,333	0	0	0	4,333
Finance lease receivables	-	14,208	0	0	0	14,208	15,941
Other financial assets	AfS	0	0	0	0	0	0
Securities	FVtPL	175	0	175	0	0	175
Stock Options - held for trading	FVtPL	6,066	0	6,066	0	0	6,066
Total financial assets		141,387	120,939	6,240	0	14,208	141,763
Financial liabilities							
Liabilities to banks	oL	315,376	315,376	0	0	0	322,840
Purchase price liabiliites	oL	11,978	11,978	0	0	0	11,978
Purchase price liabilities	FVtPL	0	0	0	0	0	0
Trade payables	oL	17,938	17,938	0	0	0	17,938
Other financial liabilities	oL	6,391	6,391	0	0	0	6,391
Financial lease obligations	-	1,183	0	0	0	1,183	1,256
Interest rate swaps – Cash flow hedge	-	7,161	0	0	7.161	0	7,161
Total financial liabilities		360,027	351,683	0	7,161	1,183	367,565
Total per category							
Assets available for sale	AfS	0	0	0	0	0	0
Loans and receivables	LaR	120,939	120,939	0	0	0	119,582
Assets at fair value through profit and loss	FVtPL	6,240	0	6,240	0	0	6,240
Other financial liabilities	oL	351,683	351,683	0	0	0	359,147
Liabilities at fair value through profit and loss	FVtPL	0	0	0	0	0	0

Fair value measurement

The 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 the fair value as a whole, the 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 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.

Fair value of financial assets and liabilities that are regularly measured at fair value according to the valuation hierarchies:

Assessed valuation hierarchies at fair value - financial instruments EUR '000	31.03.2014	Level 1	Level 2	Level 3
Assets recognized at fair value through profit and loss	6.240	175	0	6.066
thereof securities	175	175	0	0
thereof stock options - held for trading	6.066	0	0	6.066
Assets recognized at fair value directly in equity	0	0	0	0
Total	6.240	175	0	6.066
Liabilities recognized at fair value through profit and loss	0	0	0	0
Liabilities recognized at fair value directly in equity	7.161	0	7.161	0
thereof Interest rate swaps -Cash flow hedges	7.161	0	7.161	0
Total	7.161	0	7.161	0

1) Securities (Level 1): The fair value of securities in the amount of EUR 165 thousand (previous year: EUR 165 thousand) is based on quoted market prices in an active market at the balance sheet date. Significant unobservable input parameters are not available which is why there is no ratio of unobservable input parameters to the fair value of the securities.

2) Stock options – held for trading (Level 3): This pertains to CGM's existing call options to acquire 90 percent of the shares in KoCo Connector AG at a fixed market price (strike price) in the amount of EUR 45 thousand. The call options can be exercised at any time until 31 December 2016 whereby the writes are granted a right of refusal. The granted call option is a financial instrument according IAS 39.9.The value of call options depends on several variables. Among other things, it varies depending on KoCo Connector AG's enterprise value, the company's EBITDA and the fair value of the loan granted to KoCo Connector AG. The call options' fair value results from two possible scenarios (Scenario 1 and 2):

+ Scenario 1 "Transfer of shares from KoCo Connector AG to CGM AG" and
+ Scenario 2 " Writer exercises right of refusal"

The fair value of the call option in the amount of EUR 6,056 thousand (previous year: EUR 4,417 thousand) is calculated as the equally weighted value from Scenario 1 "Transfer of shares from KoCo Connector AG to CGM AG" and Scenario 2 "Writer exercises right of refusal".

The fair value was determined on the basis of business plans using the DCF method (enterprise approach). Reachable customers, the date on which the individual phase ("testing phase", "roll-out phase", replacement phase" and "maintenance phase") commence and the underlying cost structure (cost of materials and operational costs) constitute material unobservable input parameters for the business plans. In addition, the amount of loans granted by CompuGroup Medical AG to KoCo Connector AG on the relevant valuation date constitutes a significant input parameter. A discount rate of 11.4 percent (previous year: 10.9 percent) was applied for calculating the value of the option.

The relationship of the unobservable input parameters at their fair value can be described as follows: The more customers that can be acquired in the imputed phases (especially the "roll-out phase") of the underlying business plans, the higher the fair value of the call option provided that the status of the loans granted by CompuGroup Medical 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. discount rate).

3) Interest rate swaps – Cash flow hedges (Level 2): The interest rate swaps – cash flow hedges (2014: EUR 7.161 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 are used to hedge against the effect of interest rate fluctuations. Thus, the variable interest rates of the term and multi-currency revolving loan facility were determined using interest rate swaps. The interest rate swaps (hedging transactions) were designated into a cash flow hedge under the term and multi-currency revolving loan facility (underlying transactions) and are based entirely on long-term contracts. The nominal value of the interest rate swaps in hedge accounting amounts to EUR 250 million on 31 March 2014 and thus remained unchanged from last year. On 31 March 2014, the fixed interest rates ranged from 1.83 percent to 2.07 percent (unchanged from previous year), the variable interest rate is the 3-month EURIBOR:

Fair Value of financial assets and liabilities that are not regularly measured at fair value according to the valuation hierarchies:

EUR '000	31.03.2014	Level 1	Level 2	Level 3
Fair value of financial assets valuated at (continued) acquisition costs				
Trade receivables	75,650	0	75,650	0
Receivables from construction contracts (PoC)	13,241	0	13,241	0
Other receivables	4,333	0	2,273	2,059
Finance lease receivables	15,941	0	15,941	0
Other financial assets	0	0	0	0
Total	109,164	0	107,105	2,059
Fair value of financial liabilities valuated at (continued) acquisiton costs				
Liabilities to banks	322,840	0	0	322,840
Purchase price liabilities	11,978	0	0	11,978
Trade payables	17,938	0	17,938	0
Other financial liabilities	6,391	0	6,114	277
Finance lease obligations	1,256	0	1,256	0
Total	360,403	0	25,308	335,095

Segment reporting

In accordance with IFRS 8 „Operating Segments" the activities of CompuGroup Medical AG are divided into operating segments for segment reporting purposes. A classification based on the individual products or services is applied for controlling purposes and for the allocation of resources. Six operating segments result from this classification. These six operating segments are aggregated into the three reportable segments HPS I (Health Provider Services I), HPS II (Health Provider Services II) and HCS (Health Connectivity Services).

The board of directors as Chief Operating Decision Maker evaluates the performance of the three reportable segments based on the reporting system and takes decisions on the allocation of resources. For the evaluation of the performance of the operating segments the board of directors uses „Earnings before interest, tax, depreciation and amortization"(EBITDA) as a key performance indicator, which represents the result of the individual segment.

	Segment I: Health Provider Services I (HPS I)			Segment II: Health Provider Services II (HPS II)			Segment III: Health Connectivity Services (HCS)		
EUR ´000	2014 Jan-Mar	2013 Jan-Mar	2013 Jan-Dec	2014 Jan-Mar	2013 Jan-Mar	2013 Jan-Dec	2014 Jan-Mar	2013 Jan-Mar	2013 Jan-Dec
Sales to third parties	90,168	79,477	320,434	17,829	19,447	81,175	13,991	14,475	57,681
Sales between segments	1,620	1,833	7,597	2,784	2,479	12,928	1,436	1,493	4,608
SEGMENT SALES	91,788	81,310	328,031	20,613	21,926	94,103	15,427	15,968	62,289
Capitalized in-house services	890	222	1,975	0	0	0	202	0	734
Other income	152	283	1,552	312	334	1,277	359	461	1,573
Expenses for goods and services purchased	-17,862	-15,073	-60,340	-4,020	-4,341	-20,514	-2,616	-2,516	-14,075
Personnel costs	-33,768	-26,889	-114,256	-13,319	-12,529	-51,402	-7,644	-8,027	-31,304
Other expense	-15,805	-14,321	-57,565	-2,765	-1,765	-11,785	-3,170	-3,141	-13,988
EBITDA	25,395	25,532	99,398	821	3,625	11,677	2,558	2,745	5,230
in % of sales	28.2	32.1	31.0	4.6	18.6	14.4	18.3	19.0	9.1
Depreciation of property, plants and tangible assets	-	-	-	-	-	-	-	-	-
Amortization of intangible assets	-	-	-	-	-	-	-	-	-
Impairment for financial assets	-	-	-	-	-	-	-	-	-
EBIT	-	-	-	-	-	-	-	-	-
Results from associates recognised at equity	-	-	-	-	-	-	-	-	-
Financial income	-	-	-	-	-	-	-	-	-
Financial expense	-	-	-	-	-	-	-	-	-
EBT	-	-	-	-	-	-	-	-	-
Taxes on income for the period	-	-	-	-	-	-	-	-	-
Profit for the period from discontinued operations	-	-	-	-	-	-	-	-	-
Consolidated net income for the period	-	-	-	-	-	-	-	-	-
in % of sales	-	-	-	-	-	-	-	-	-
CASH NET INCOME*	-	-	-	-	-	-	-	-	-

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

All other Segments			Total Segments			Consolidation adjustments			CompuGroup Medical Group		
2014	2013	2013	2014	2013	2013	2014	2013	2013	2014	2013	2013
Jan-Mar	Jan-Mar	Jan-Dec	Jan-Mar	Jan-Mar	Jan-Dec	Jan-Mar	Jan-Mar	Jan-Dec	Jan-Mar	Jan-Mar	Jan-Dec
78	120	265	122,067	113,519	459,555	0	0	0	122,067	113,519	459,555
76	95	417	5,916	5,900	25,550	-5,916	-5,900	-25,550	0	0	0
154	215	682	127,983	119,419	485,105	-5,916	-5,900	-25,550	122,067	113,519	459,555
1,454	1,616	6,942	2,547	1,838	9,652	0	0	0	2,547	1,838	9,651
669	318	1,414	1,492	1,396	5,817	-1,159	-623	-3,304	333	773	2,512
-1,855	-2,108	-6,525	-26,353	-24,038	-101,454	3,457	4,079	22,102	-22,896	-19,959	-79,352
-1,850	-1,439	-5,676	-56,581	-48,884	-202,638	-4,051	-4,549	-12,304	-60,632	-53,433	-214,941
-955	-786	-3,147	-22,695	-20,013	-86,485	3,242	2,763	6,836	-19,453	-17,250	-79,649
-2,383	-2,184	-6,309	26,393	29,718	109,997	-4,427	-4,230	-12,220	21,966	25,488	97,776
-	-	-	21.6	26.2	23.9	-	-	-	18.0	22.5	21.3
-	-	-	-	-	-	-	-	-	-1,941	-1,861	-7,373
-	-	-	-	-	-	-	-	-	-7,989	-7,925	-33,575
-	-	-	-	-	-	-	-	-	0	0	0
-	-	-	-	-	-	-	-	-	12,036	15,702	56,828
-	-	-	-	-	-	-	-	-	-7	-14	-20
-	-	-	-	-	-	-	-	-	509	3,183	4,318
-	-	-	-	-	-	-	-	-	-5,544	-4,674	-25,918
-	-	-	-	-	-	-	-	-	6,994	14,197	35,208
-	-	-	-	-	-	-	-	-	-2,269	-4,047	-13,033
-	-	-	-	-	-	-	-	-	-140	104	-457
-	-	-	-	-	-	-	-	-	4,585	10,254	21,718
-	-	-	-	-	-	-	-	-	3.8	9.0	4.7
-	-	-	-	-	-	-	-	-	11,986	17,446	51,663

Additional Information

FINANCIAL CALENDAR 2014

Date	Event
08 May 2014	Interim Report Q1 2014
14 May 2014	Annual General Shareholder Meeting, Koblenz
07 August 2014	Interim Report Q2 2014
09 October 2014	Analyst Conference ("CGM eHealth Summit")
12 November 2014	Interim Report Q3 2014

SHARE INFORMATION

The CompuGroup Medical share finished the third quarter with a closing price of EUR 18.20. The average closing share price increased by 3 percent from EUR 18.59 (Q4/2013) to EUR 19.18 (Q1/2014).

The highest quoted price during the quarter was EUR 21.36 on 15 January 2014 and the lowest price EUR 17.82 on 27 March 2014.

The trading volume of CGM shares was 2.0 million shares during the first quarter, up 19 percent compared to the previous quarter. On average, the daily trading volume was approximately 32,000 shares (daily average in 2013: approximately 34,000).

By the end of March 2013, a total of seven analyst companies were covering the CompuGroup Medical share on a regular basis. The forecast price targets ranged from EUR 19.00 to EUR 24.00. Two analysts rated the shares a "buy" and five analyst as "hold" or "neutral".

On 3 April 2014 Baader Bank AG started covering the stock with a "buy" rating and a price target of EUR 23.00.

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Management Responsibility Statement

To the best of our knowledge, and in accordance with applicable accounting principles for interim financial reporting, the consolidated interim financial statements give a true and fair view of the net assets, financial position and results of operations of the Group, and the Group interim management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group over the remainder of the financial year.

Koblenz, 8 May 2014

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