



CompuGroup Medical SE

Annual Report 2017

Synchronizing Healthcare



CompuGroup
Medical

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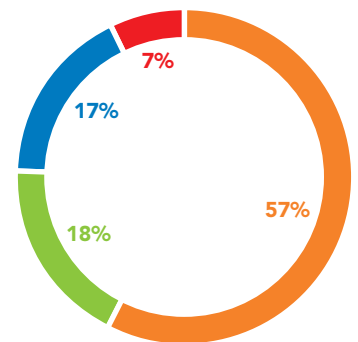
About us

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

Our revenue 2017

€582m

Total revenue



Revenue breakdown by business segments:

Ambulatory Information Systems

€334m

Revenue

[Read more on page 04](#)

Pharmacy Information Systems

€105m

Revenue

[Read more on page 06](#)

Hospital Information Systems

€101m

Revenue

[Read more on page 08](#)

Health Connectivity Services

€42m

Revenue

[Read more on page 10](#)

Key figures 2017

€58m

Cash Net Income (€ million)

€128m

EBITDA (€ million)

€0.63

Earnings per share (€)

4,600

Employees

19

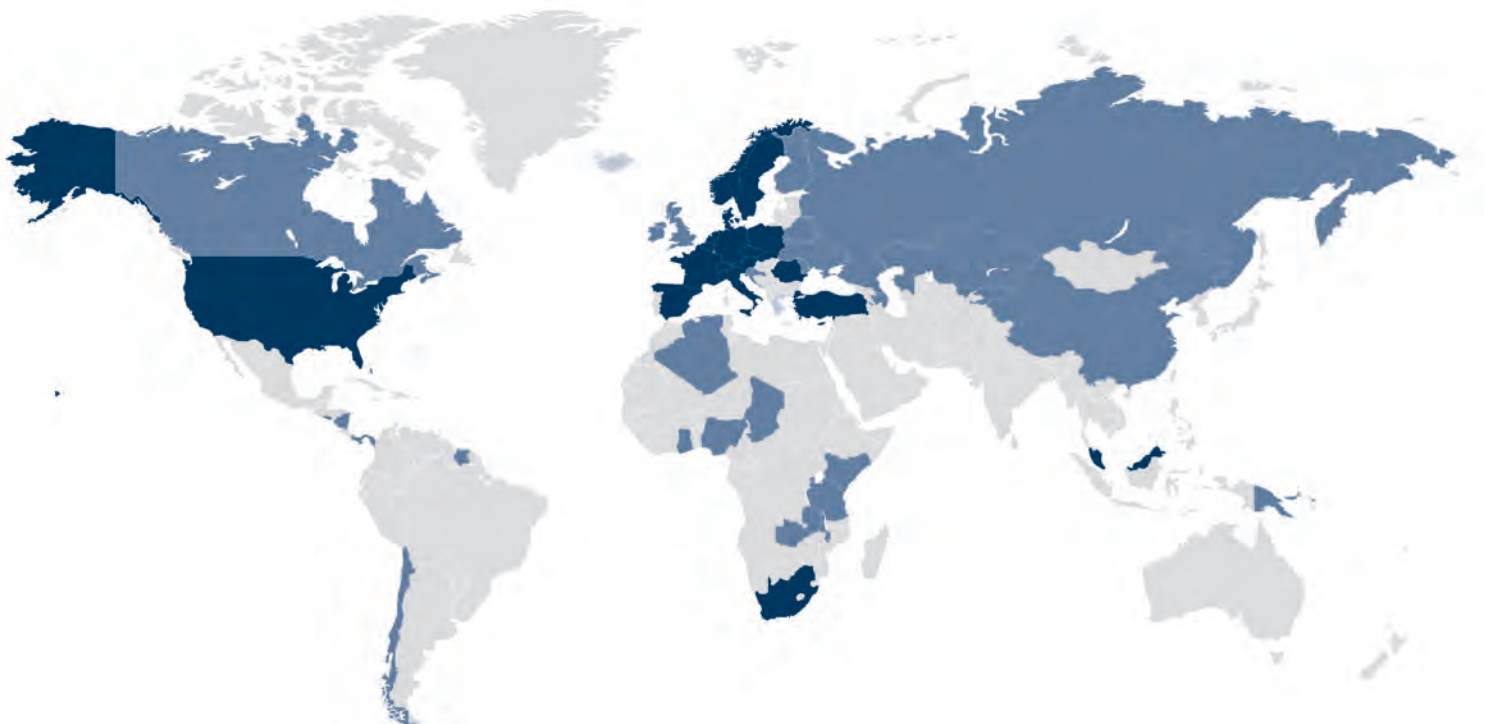
Offices

55

Countries

CompuGroup Medical is a leading global eHealth provider with office locations in 19 countries. Today we have the trust of customers from Koblenz to Kuala Lumpur, from Kiruna to Cape Town and Lublin to Los Angeles – in 55 countries worldwide. Our products assist doctors and dentists, hospitals, laboratories, pharmacies and other care providers towards safer and more efficient healthcare.

The heart of CGM beats in the Rhineland-Palatinate city of Koblenz. CGM's success story started here around 30 years ago. Today, around 750 employees – 16 percent of our global workforce – work in the company headquarter on the grounds of the historical Maria Trost site.



- CGM countries with own locations (physical office)
- Additional countries with customers, but no CGM location
- Additional countries with resellers, but no CGM customer or CGM location

Dear Shareholders,

it is with great pleasure that I present to you our Annual Report for 2017.



The healthcare system in our home country Germany has set a target that exceeds any other milestone reached over the last decades: No less than a seamless digital network with absolute security to connect the complete healthcare sector is now the shared objective of the progressive forces of medicine, nursing, pharmacy, politics, corporations and associations with the so-called Telematics Infrastructure as the ultimate goal.

The bold statement from this united group: Nobody should suffer or die just because there was a lack of information. Nobody should wait because better information for planning purposes was not available. Nobody should experience suffering because a medication was known to the family doctor, but not in the hospital. And nobody should die because of an illegible prescription.

Instead, all relevant information should be available where it is needed and the information must be authentic, trustworthy and reliable.

We in CGM help to create this future, using all our strength and our many years of experience. As the first and still only supplier in Germany we are in a position to provide all necessary components to doctors, dentists and hospitals to participate in the Telematics Infrastructure. We take responsibility for all the underlying technologies and offer a complete turnkey solution from the on-site installation to the daily operation and support in the years to come.

This fantastic position does not come by chance, but has its roots in a vision that has determined the direction of our company for decades. With intelligent software, we help to preserve health and provide people with the best possible care and inclusion in the healthcare system.

The original starting point for the digital transformation in healthcare was in many ways the primary care level, where vital services are provided every day by the dedicated team of doctors and dentists using their ambulatory information systems.

This was accompanied by information systems for hospitals, laboratories, pharmacies, rehabilitation clinics and social care institutions. Today, CGM is fully committed to serving all of these healthcare providers and organizations. With intelligent and effective networking solutions, like the Telematics Infrastructure, we can build and grow internationally on this unique foundation. Our company is the driving force that enables healthcare providers to engage in an ever closer dialogue and thus make care more effective and efficient.

We have made tremendous progress in 2017. In the hospital market, we were overwhelmed by the interest shown in our new CGM CLINICAL suite from customers in Germany, Austria and Switzerland. Our innovative approach in this area is based on three pillars; placing planning processes at the center of the solution, informally opening up all sectoral boundaries and, in particular, actively involving patients and relatives in the continuum of care. This approach is regarded in the market as a "game-changer" and has been welcomed with open arms. The first CGM CLINICAL implementations, where essential core clinical processes have been mapped using the CGM CLINICAL suite, were done this year with the first deliveries to the regional hospitals of the Vorarlberg Hospital Organization (KHBG) in Austria. Three of the five KHBG houses were successfully commissioned in the last quarter of 2017 and all in all, we are clearly on the growth path also in the hospital market. We already serve more than 1,500 hospital, rehabilitation and social care customers in Europe which makes us among the largest European HIS providers overall.

In our other segments, we were able to further grow our international presence in the healthcare sector through the acquisition of Barista and Advanced Technology Explained in Belgium, Farmages in Spain and FabLab in Italy during 2017.

But the most important part of our evolution is still to come: Consumers today are used to being digitally assisted in their daily lives and to do most of their daily business

through self-service. It is natural and obvious for many people to do travel arrangements, banking, communication, home automation and more through mobile solutions, smart apps and intelligent IT. This is also true in the context of healthcare and we believe consumer engagement will increase significantly in the years to come.

To enable people to actively manage their health and that of their families, CGM already developed the first innovations in digital technology for personal health records more than ten years ago. It was from the outset a clear goal to reliably tie health-related data in the form of a patient-centric electronic medical record with other medical information and place it under the direct control of the individual person in order to be able to use all the information at any time in all relevant processes, but without requiring the person to assure completeness of information coming from a large number of heterogeneous provider systems.

Today, CGM LIFE is the only personal health record that gives consumers complete technical control over his or her data. Around one million people in Germany now rely on products that have CGM LIFE as an integrated secure information base. One example is CGM LIFE eServices, which enables patients to schedule appointments with doctors from all disciplines in a highly comfortable manner – an example of a functioning digital doctor-patient communication with advantages for all concerned.

For CGM LIFE as well as all our solutions for healthcare providers, privacy and data security are of paramount importance. All of these systems contain highly sensitive data that we always treat in a commensurate way. For this reason, we have adopted the specifications of the EU General Data Protection Regulation at an early stage and have implemented this directive carefully and on time in our entire organization and in all our products.

Based on these many achievements, we will continue to move forward in 2018 and beyond. We are excited about

new global services like CLICKDOC – a smart combination of doctors search, appointment booking and doctor-to-patient communication. With this service, the CGM LIFE personal health record will no longer just be an integrated part of our solutions, but will also become more visible as a stand-alone product.

And of course we will continue our approach based on "Software Assisted Medicine" (SAM). We firmly believe that SAM, with its data-driven intelligence and patient-centered approach, will be recognized as a third pillar of modern care – alongside MedTech and pharmaceuticals. In our most recent implementation, the personal medication records in the German state of North Rhine-Westphalia, we have just entered into a second European project on the basis of CGM LIFE and our drug safety solution i:fox. The interim result from the first round scientific evaluation shows that the use of the CGM LIFE-based medication records not only reduces overall drug prescribing by 14%, but also reduces hazards due to incorrect dosages, drug interactions and contraindications.

And this is just an inspiring example of how products that integrate CGM LIFE can be embedded in daily life and how this technology leads to even better care and even greater patient safety.

I would like to thank our employees, our shareholders and the entire CGM family for their extraordinary commitment which accompanied us in 2017. I also thank our customers for their trust. I promise to continue to develop CGM with their needs as the guiding principle of our actions.

Yours sincerely,



Frank Gotthardt
Chairman, CEO
29 March 2018

Ambulatory Information Systems (AIS)

Modern information systems for the ambulatory sector

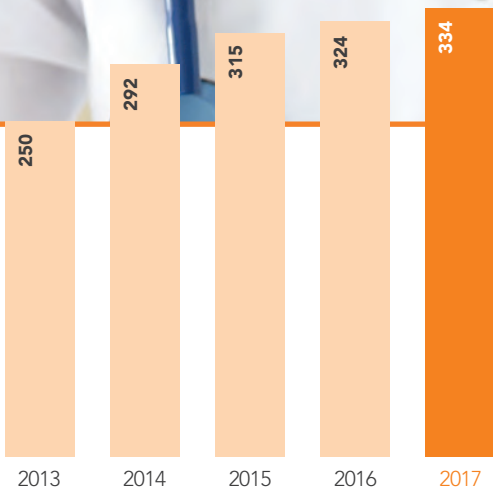
Our integrated practice management software and electronic medical records are packaged into an end-to-end solution that covers all clinical, administrative and financial functions needed to operate a modern care facility.

The solution from CGM creates safe and efficient structures for general practitioners, office-based specialists, dentists, medical care centers, physician networks, school healthcare and other ambulatory care providers.

Whether it is documentation, prescriptions, billing or administration – we make sure that bureaucracy and paperwork disappear and that the most important medical information is provided where and when it is needed.

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





Revenue (EUR million) AIS*

77%

Recurring revenue

57%

of Group revenue: AIS

*The numbers are based on our new business segments.

Pharmacy Information Systems (PCS)

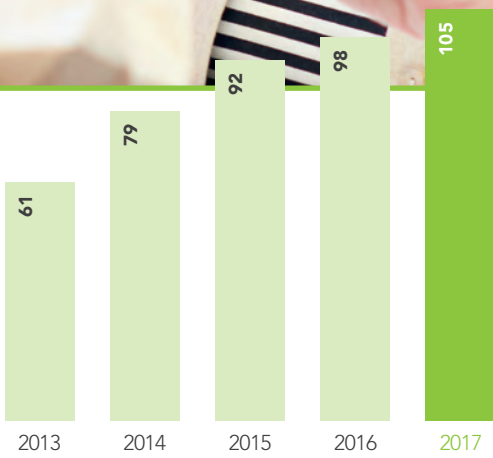
Modern information systems for community pharmacies

Pharmacy Information Systems is focused on integrated clinical, administrative and financial software applications for pharmacies.

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

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





Revenue (EUR million) PCS*

68%

Recurring revenue

18%

of Group revenue: PCS

*The numbers are based on our new business segments.

Hospital Information Systems (HIS)

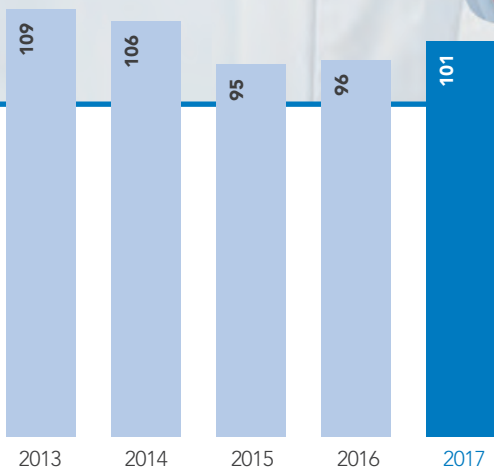
Modern information systems for secondary care institutions

During a patient's stay in a hospital, he or she passes through many wards: from admission to in-patient care and medication, from operation to discharge. Our solution guides all management and medical specialists in all tasks and creates efficient structures and social care institutions.

Our hospital information system facilitates patient administration, resource and personnel management, medical documentation and billing programs in addition to a number of clinical applications aimed at various specialized departments and laboratories.

As a full service provider, CGM pursues an integrated care approach and provides customized solutions for practically all aspects of administration, planning and care delivery in secondary care institutions.





Revenue (EUR million) HIS*

61%

Recurring revenue

17%

of Group revenue: HIS

*The numbers are based on our new business segments.

Health Connectivity Services (HCS)

Key to success: Information and knowledge at the decisive moment

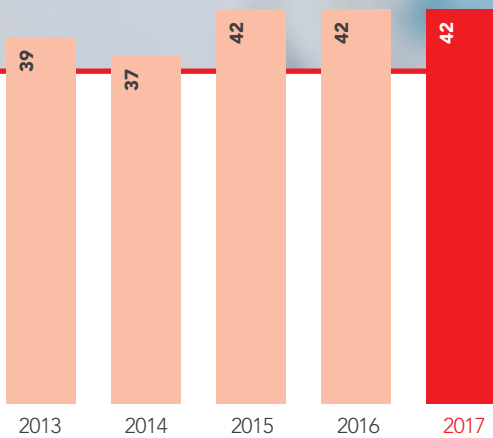
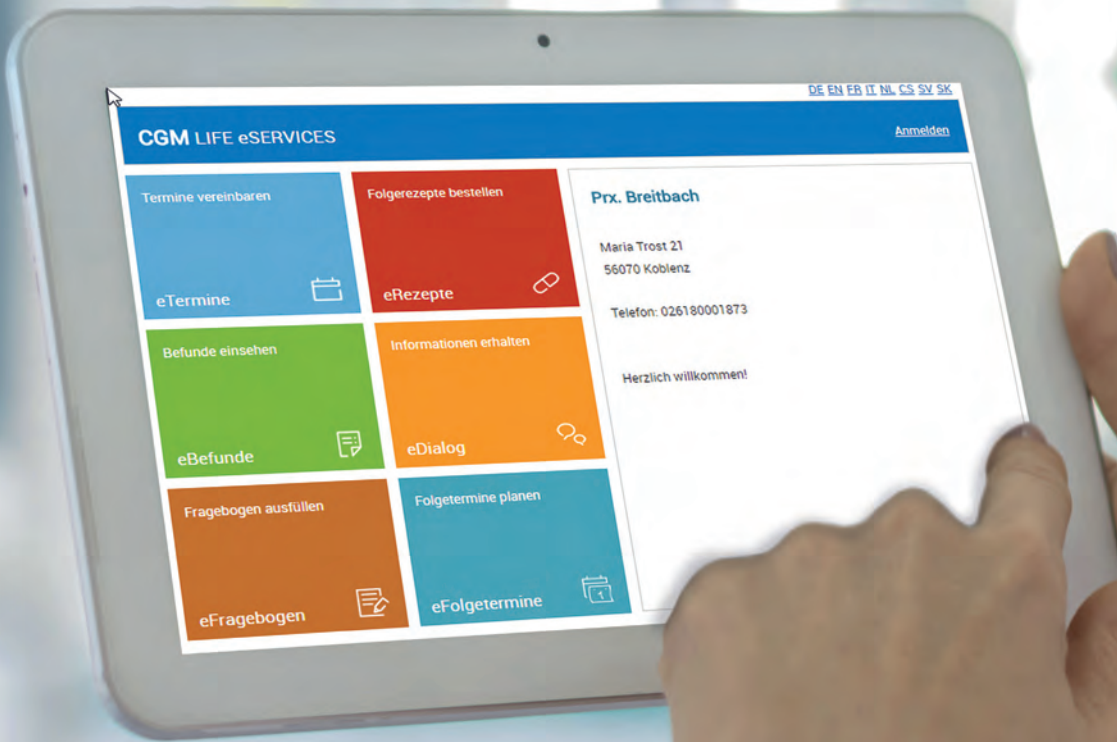
With HCS services, we help doctors to identify specific patient groups (for example with rare or special diseases) and to provide treatment-relevant information – such as a vaccination reminder – exactly at the right time. This can make sustainable and long-term improvements in healthcare.

Our connectivity services are based on the intelligence of modern software and databases. All processes within a practice and in the doctor-patient interaction are accompanied by the Ambulatory Information System and the integrated HCS services. The situation is similar in the pharmacy – from the sales counter to the

ERP system, all processes are linked to the pharmacy software.

Our Software Assisted Medicine (SAM) links physicians, patients and payers and assists in the implementation of crucial initiatives into practice. The physician receives information about signs of a rare disease

earlier – and he receives it precisely at the moment the patient is sitting in front of him. Together with physicians and payers, we create many ground-breaking innovations, helpful programs and direct interfaces in our SAM projects.



Revenue (EUR million) HCS*

7%

of Group revenue: HCS

*The numbers are based on our new business segments.

Measuring our performance

KPI #1

Sales revenue

Target 2017

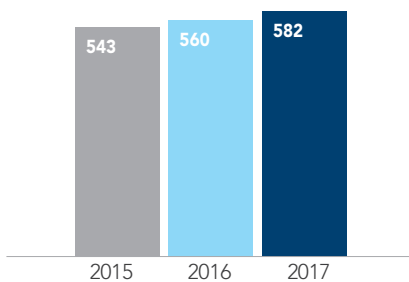
– €600 – 630 million

Performance

The reported revenue in 2017 is below the target range, reflecting mainly the later start and lower than expected revenue from the roll-out of the Telematics Infrastructure in Germany.

Outcome

€582m



Significance

Sales to third parties (“revenue”) give the highest level insight into our ability to fulfill our primary growth objective.

KPI #2

Organic growth

Target 2017

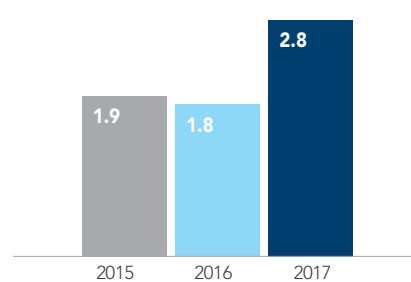
– 6% – 11%

Performance

The lower than expected organic growth in 2017 has the same underlying cause as the overall revenue development.

Outcome

2.8%



Significance

Organic growth is a key component of our overall growth strategy and is also an important measure of our ability to add value to our acquisitions.

KPI #3

Recurring revenue

Target 2017

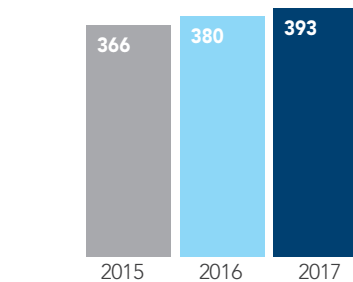
– €395 million

Performance

The slightly lower than expected recurring revenue in 2017 is caused by changes to currency exchange rates which lowered reported revenue from Group companies outside the EURO zone.

Outcome

€393m



Significance

The business model is based on long-term customer relationships with software maintenance, subscriptions and other recurring service fees as the primary source of income.

KPI #4

EBITDA

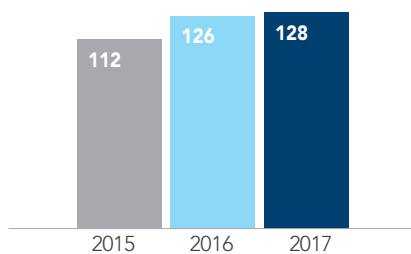
Target 2017
– €138 – 150 million

Performance

The lower than expected EBITDA in 2017 has the same underlying cause as the overall revenue development.

Outcome

€128m



Strategic significance

EBITDA is a good indicator of our raw cash generating ability, before consideration of expenditures related to taxation, investments and financing.

KPI #5

Cash Net Income

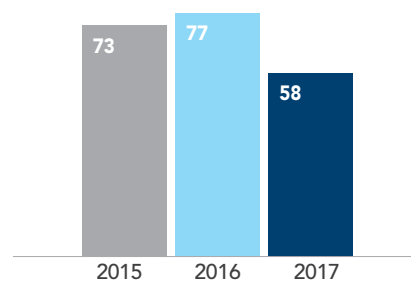
Target 2017
– €85 – 93 million

Performance

Changes in currency exchange rates lead to non-cash translation losses on Group internal debt booked as financial expense.

Outcome

€58m



Strategic significance

Cash Net Income is used to estimate the total cash liquidity generated after all expenditures to maintain the current business and sustain the organic growth have been paid, including all reported taxes and financial income and expenses.

KPI #6

Return on Capital

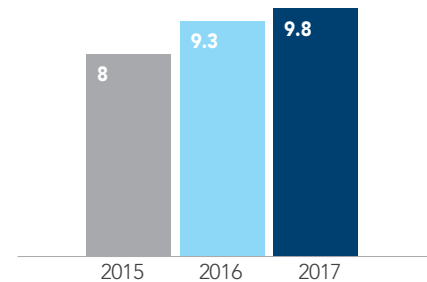
Target 2017
– 10.5% – 11.8%

Performance

Operating profit (EBIT) grew more than invested capital in 2017.

Outcome

9.8%



Strategic significance

ROC rewards efficient use of capital in the daily management of the business and is a useful metric for comparing profitability across segments and business units based on the amount of capital they use. This measure is also in harmony with the information we get from a more comprehensive net-present-value analysis.

Management Board



Frank Gotthardt

Chairman of the Management Board, CEO

Frank Gotthardt became a pioneer of IT in the healthcare sector in his days as a computer scientist. He is Chairman of the Management Board of CompuGroup Medical SE. He built the leading global eHealth company, domiciled in Koblenz, up from nothing and has continued to lead and shape it since its founding. Today, 400,000 customers and approx. 4,300 employees worldwide have put their trust in CompuGroup Medical SE. Mr. Gotthardt is also the Regional Chairman of the Economic Council of Rhineland-Palatinate, a member of the Federal Executive Board and Deputy Chairman of the Federal Commission for Health.



Frank Brecher

Chief Process Officer, CPO

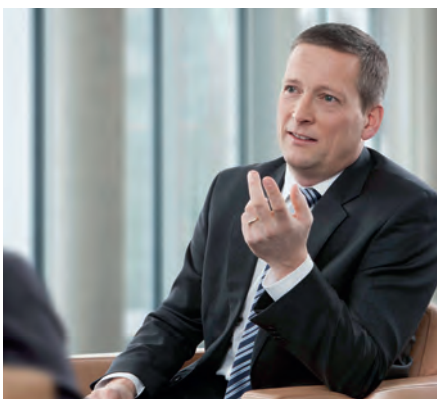
Frank Brecher has been a member of the Executive Board of CompuGroup Medical SE since 2015 and has been employed with CompuGroup Medical since 1998 initially occupying various management positions in the group's dental software business. Beginning in late 2007, he was responsible for CGM's business operations in the hospital, clinic and rehabilitation sector in Germany. In 2011, Mr. Brecher was a key manager involved in the acquisition of LAUER-FISCHER and played a vital role in the successful integration of this new subsidiary in CGM. At the end of 2011, Mr. Brecher was appointed to the Executive Board of CGM Deutschland AG. Since April 2013, Mr. Brecher has also led and coordinated the worldwide rollout of CGM's new uniform IT platform "OneGroup IT".



Uwe Eibich

Executive Vice President, Central Europe

Uwe Eibich has been a member of the Executive Board of CompuGroup Medical SE since 2007 and today he leads the business segment Telematics & eHealth Platforms. The focus of his work is on the global development of eHealth Platforms for networking and communication as well as on the development and marketing of associated services. This includes the telematics infrastructure in Germany and Austria as well as the solutions around CGM LIFE. Before his start at CGM, the computer scientist worked for a dental software manufacturer. In his former positions at CGM, he headed the business operations in Germany and supervised the international expansion. In addition, Uwe Eibich is the Chief Financial Officer of the Federal Association for Healthcare IT (bvitg).



Christian B. Teig

Chief Financial Officer, CFO

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

Report of the Supervisory Board

The Supervisory Board of the CompuGroup Medical SE performed the duties required of it by law and by its Articles of Association during its 2017 fiscal year. The Supervisory Board regularly advised the Management Board in its management of the company and supervised the company's management team. The Supervisory Board was directly involved in all decisions of major significance to the company.

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

The Supervisory Board obtained regular reports from the Management Board regarding the measures it had implemented to improve results and about any possible, planned or completed company acquisitions. It also discussed the opportunities and risks involved in planned transactions with the Management Board in detail. Deviations from plans and targets that eventuated during the course of business were explained to the Supervisory Board in detail. In 2017, consultations between the Management Board and the Supervisory Board focused in particular on CGM's progress in connection with the nationwide roll-out of the telecommunications infrastructure for healthcare in Germany.

The Supervisory Board formed an audit committee from among its members, whose chairman was the chairman of the Supervisory board. The audit committee held a total of four meetings over the course of the year under review and prepared, among other things, interim financial reports of the Management Board as well as resolutions of the Supervisory Board. The audit committee had already in November 2016 submitted to the Supervisory Board a recommendation for the choice of auditor for fiscal year 2017. In accordance with EU guidelines, this recommendation preceded a call for bids which led to the result that PricewaterhouseCoopers GmbH, Frankfurt (PwC) was recommended to be chosen the auditor for fiscal year 2017.

Supervisory Board member Mr. René Obermann resigned his Supervisory Board seat in December 2017 effective December 31, 2017 for personal reasons. The Supervisory Board and Management Board thank Mr. Obermann for his valuable participation on the Supervisory Board. In its meeting of December 19, 2017, the Supervisory Board resolved to propose Mr. Thomas Seifert to the annual Annual General Meeting in May 2018 for election to the Supervisory Board and the Management Board informed that he will be proposed prior to the closure of the vacancy in the Supervisory Board by means of an appointment of Mr. Seifert through the district court of Koblenz."

The Supervisory Board held seven ordinary meetings during the course of the past fiscal year. In addition, one resolution was carried out by the circulation procedure:

February 8, 2017

The Supervisory Board, using the circulation procedure, approved the acquisition of Barista Software BVBA, Belgium, a provider of information systems for physicians, as well as FabLab S.R.L., Italy, a provider of pharmaceutical communication services. By taking over these two companies, CGM has strengthened its corresponding market positions significantly.

March 16, 2017

In the March 2017 session for the approval of financial statements, the Management Board explained the 2016 annual financial statement of CompuGroup Medical SE, the 2016 consolidated financial statements and the respective annual reports to the Supervisory Board in detail in the presence of the auditors. The Management Board and employees of the auditing firm, PriceWaterhouseCoopers GmbH, Frankfurt (PwC) personally answered in detail all questions that were posed by the Supervisory Board during the subsequent discussion. The consolidated financial statement was approved. The proposal by the management Board for the appropriation of retained earnings was agreed to. The agenda for the 2017 Annual General Meeting, including the proposed resolutions was approved. In addition, the Supervisory Board was presented with and discussed additional activities, plans and funding for fiscal year 2017 as well as the Management Board's risk report.

An additional focus was on the discussion and decision on the reappointment of Mr. Frank Gotthardt to Management Board chair for the period January 1, 2018 to December 31, 2022 and deciding on Mr. Gotthardt's remuneration.

The Supervisory Board approved the planned acquisition of a distributor for CGM's pharmacy software in Italy.

A joint statement of compliance with the German Corporate Governance Codes was discussed and confirmed unchanged. The Supervisory Board discussed and established the target values for the proportion of women on the Supervisory Board and Management Board in accordance with § 111 (5) of the Stock Corporations Act (AktG).

Report of the Supervisory Board *continued*

May 10, 2017

In meetings on the day of the Annual General Meeting, the Management Board reported on the current situation with regard to all areas of the business. The Supervisory Board set the dates of the Annual General Meeting for 2018 and 2019. The Supervisory Board approved the purchase of minority shares in Gotthardt Information Systems GmbH, Koblenz. Following the Annual General Meeting, the Supervisory Board reconstituted itself and elected Dr. Klaus Esser as chair. Prof. Dr. Daniel Gotthardt was elected deputy chair. Dr. Ulrike Handel, Dr. Klaus Esser, Prof. Dr. Daniel Gotthardt and Mr. Klaus Schrod were elected to the audit committee.

June 8/9, 2017

At its annual strategy meeting with the Management Board and second level management, the Supervisory Board discussed possible expansions to CompuGroup's business development.

September 26, 2017

Besides agreeing to two business acquisitions, the Supervisory Board advised on the carrying out of this year's efficiency audit of the Supervisory Board.

November 10, 2017

The Management Board informed the Supervisory Board about the preparations for the nationwide roll-out of the telematics infrastructure in Germany. Another subject was the presentation of the draft of the budget for the 2018 fiscal year. In addition, the Supervisory Board approved the acquisition of a provider of pharmaceutical software in Spain. With regard to the efficiency audit, the questionnaires were analyzed and discussed.

December 1, 2017

At this meeting, the Supervisory Board was informed about the current situation of all business divisions as well as about the further course of the roll-out of the telematics infrastructure. The draft 2018 budget presented by the Management Board for the CompuGroup Medical Group was discussed with the Management Board. A resolution of the matter was postponed. The Supervisory Board advised about possible structural changes in company leadership.

December 19, 2017

The Supervisory Board discussed the succession of Mr. René Obermann and decided to propose Mr. Thomas Seifert for the Supervisory Board to the annual 2018 Annual General Meeting.

The Supervisory Board did not have any conflicts of interest during the reporting period.

All Supervisory Board members were present at the meetings held during fiscal year 2017 or able to participate by telephone or video conference except that Mr. Obermann was unable to participate on September 26, 2017 and December 19, 2017.

Pursuant to statutory provisions, the auditors elected at the Annual General Meeting and appointed by the Supervisory Board (PwC) audited the annual financial statement for CompuGroup Medical SE, the consolidated financial statements and the respective annual reports of CompuGroup Medical SE and the Group for the year ending on December 31, 2017, including accounting records and issued unqualified audit opinions.

During its meeting on March 16, 2018, the annual financial statement prepared and submitted on time by the Management Board, the consolidated financial report and the situation report of the CompuGroup Medical SE and the Group were submitted to the Supervisory Board, as was the Management Board's recommended appropriation of retained earnings and the auditor's corresponding audit reports. The Supervisory Board reviewed the documents submitted. The employees of the auditing firm, PriceWaterhouseCoopers (PwC) personally answered in detail all questions posed by the Supervisory Board.

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

Pursuant to § 171 of the Stock Corporation Act (AktG), the Supervisory Board reviewed and adopted the annual financial statement of the parent company and the group; the annual reports of CompuGroup Medical SE and the group; the Management Board's recommended appropriation of retained earnings; and the risk management report. The financial statements of CompuGroup Medical SE were thus approved. The consolidated financial statement was endorsed.

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

"Having conducted a proper audit and appraisal, we can confirm that:

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

The Supervisory Board noted and approved the audit results and also approved the dependency report. Following the final results of the review by the Supervisory Board, objections have not been raised, either against the report or against the Management Board's declaration at the end of the dependency report.

The Supervisory Board would like to thank all of the members of the Management Board as well as all employees of CompuGroup Medical SE group of companies for their commitment and the work they performed during the past fiscal year.

Koblenz, March 16, 2018

The Supervisory Board



Dr. Klaus Esser

Chairman of the Supervisory Board

Corporate Governance Statement

The actions of CompuGroup Medical's Management Board and Supervisory Board are based on the principles of good and responsible corporate governance. In this statement, the Management Board – also acting on behalf of the Supervisory Board – provides its report on corporate governance in the Company pursuant to sub-section 3.10 of the German Corporate Governance Code (GCGC) and pursuant to section 289f (1) of the German Commercial Code (HGB).

Declaration of Conformity

This declaration of conformity relates to conformity with the recommendations of the German Corporate Governance Codex (GCGC) in accordance with section 161 of the Aktiengesetz (German Stock Corporation Act).

Since the last declaration of conformity dated March 2017, CompuGroup Medical SE has conformed to the recommendations of the GCGC as amended on 07 February 2017, subject to the deviations mentioned in the aforesaid declaration.

In the future, CompuGroup Medical SE will comply with the recommendations, issued on February 7th 2017 of the German Corporate Governance Codex with the following exceptions:

Section 3.8 of the GCGC

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

Section 4.2.2 of the GCGC

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

Section 4.2.3 of the GCGC

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

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

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

Section 5.1.2 of the GCGC

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

Section 5.3.2 of the GCGC

The company deviates from the recommendation in section 5.3.2 of the GCGC stipulating that the Chairman of the Supervisory Board shall not be Chairman of the Audit Committee. The Chairman of the Supervisory Board of CompuGroup Medical has specific knowledge and experience in the field of accounting and internal control procedures and is also considered to be independent.

Section 5.3.3 of the GCGC

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

Section 5.4.1 of the GCGC

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

With regard to the composition of the Supervisory Board, the company will predominantly take into account potential candidates' expertise, skills and professional experience. Therefore the Supervisory Board will not specify any regular limit for the duration of membership in the Supervisory Board.

Only for the ratio of women in the supervisory board, the Board will determine the targets regarding its future composition. This is necessary to retain preferably flexibility in assessing the suitability of potential candidates.

Section 5.4.6 of the GCGC

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

Koblenz, 16 March 2018



Dr. Klaus Esser
Chairman Supervisory Board



Frank Gotthardt
Chief Executive Officer

Corporate Governance Statement *continued*

Corporate Governance practices

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

Operation principles of the Management and Supervisory Board

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

The Management Board is responsible for managing the enterprise. Its members are jointly accountable for the management of the enterprise. The Chairman of the Management Board coordinates the work of the Management Board and is also the Group Chief Executive Officer (CEO). Underneath the CEO, the organizational design is a regional-functional matrix organization with senior executives reporting directly to the Group CEO. This structure is supported by a detailed governance model that determines the way in which CompuGroup Medical operates. To meet the requirements of the high importance of a networked eHealth in Germany and Austria, one board member is responsibility of the department "Telematics & eHealth Platforms". Another Management Board member is assigned to the functional organization as Chief Financial Officer (CFO). The fourth board member leads the department "Process and Efficiencymanagement" as Chief Process Officer (CPO). All members of the Management Board meet on a weekly basis to discuss a broad set of issues ranging from daily operations to the Group strategy. The Management Board together with all regional managers composes the Strategic Management Group, which meets about ten times per year to harmonize operations and ensure knowledge sharing across geographies and functions.

CompuGroup Medical supports the concept of an effective Supervisory Board in line with the company's needs for expertise, capacity, balanced decision-making and ability to independently evaluate the company's activities and the conduct of its management. The Supervisory Board appoints, supervises and advises the members of the Management Board and is directly involved in decisions of fundamental importance to the enterprise. The chairman of the Supervisory Board coordinates the work of the Supervisory Board. The duties of the Supervisory Board and its Committees are regulated in the Articles of Association. In addition, the Supervisory Board has adopted terms of reference governing its work. The Supervisory Board does not comprise any former Management Board members. It comprises a sufficient number of independent members not maintaining any personal or business relationship with the Company or its Management Board. Supervisory Board meetings are generally held six to eight times per year, and during at least one of these meetings the corporate strategy is up for review. Every month, the Supervisory Board receives a financial review, management reports and forward-looking analysis. The Supervisory Board regularly reviews the efficiency of its work. The last efficiency review took place in 2017. The next efficiency review is scheduled for 2019. The efficiency of the Supervisory Board's work, including its cooperation with the Management Board, was determined on the basis of a list of questions and a subsequent discussion at a separate Supervisory Board meeting. The Supervisory Board has established one Committee from among its members: The Audit Committee consists of the Chairman of the Supervisory Board, two shareholder representatives, and one employee representative. The Supervisory Board has appointed its Chairman, Dr. Klaus Esser, as the independent Audit Committee financial expert. The Audit Committee monitors the Company's financial reporting process, discusses and examines annual consolidated financial statements and management reports prepared by the Management Board, as well as the quarterly financial reports. Based on the independent auditors' report, the Audit Committee gives recommendations with respect to the approval of the annual financial statements and the consolidated financial statements by the Supervisory Board. Furthermore, the Audit Committee recommends to the Supervisory Board the independent auditors elected at the General Shareholders' Meeting to audit the annual financial statements.

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

Targets for the composition of the Supervisory Board and Management Board

According to § 111 paragraph 5 the company's Supervisory Board has advised and determined the targets for the respective proportion of women in according to the specific situation of the company at last in March 2017 as follows:

- a. For the Supervisory Board a target of 1/6 has been set, for the period ending June 30th, 2020
- b. For the Management Board a target of zero has been set, for the period ending June 30th, 2020

The current composition of the Supervisory Board and the Management Board matches these targets.

In the opinion of the Supervisory Board, the number of independent members in the Supervisory Board is appropriate if their portion is at least 50%. The independent members are Dr. Klaus Esser (Chairman), Dr. Ulrike Handel and Thomas Seifert.

Compensation of the Management Board and Supervisory Board

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

Risk management

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

Accounting and auditing

CompuGroup Medical SE prepares its consolidated financial statements in accordance with the provisions of the International Financial Reporting Standards (IFRS) as applicable in the European Union. The annual financial statements of CompuGroup Medical SE are prepared in accordance with the German Commercial Code (HGB). The consolidated financial statements are prepared by the Management and audited by the auditors and the Supervisory Board. The interim reports are discussed between the Audit Committee and the Management Board prior to publication. The consolidated financial statements and the financial statements of CompuGroup Medical SE for the fiscal year 2017 were audited by PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt, the auditors elected by the 2017 Annual General Meeting. The audit was based on German auditing rules, taking account of the generally accepted auditing standards issued by the German Auditors' Institute as well as the International Standards on Auditing. In addition, a contractual agreement was concluded with the auditors to the effect that the auditors will immediately inform the Supervisory Board of any grounds for disqualification or partiality as well as of all findings and events of importance arising during the performance of the audit. There was no ground to provide such information in the framework of the audit of the financial year 2017.

Shareholders and Annual General Meeting

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

Shareholdings of Management and Supervisory Board

The following shareholdings currently consist to Management and Supervisory Board members:

Management Board:

Frank Gotthardt: 17,910,804 shares (approximately 33.65%)

Uwe Eibich: 97,744 shares (approximately 0.18%)

Frank Brecher: 1284 shares (approximately 0.00%)

Supervisory Board:

Prof. Dr. Daniel Gotthardt: 3,571,711 shares (approximately 6.71%)

Dr. Klaus Esser 140,000 shares (approximately 0.26%)

Transparency

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

Combined Management Report Financial year 2017

The CGM Group

CompuGroup Medical SE (CGM) develops and sells efficiency and quality-enhancing software as well as information technology services exclusively for the healthcare sector. The company plays a leading role in the development of global e-health solutions and enjoys market leadership in Germany as well as in other key European countries. CGM's software products and related services are designed to support all medical and organizational activities in doctors' offices, medical laboratories, pharmacies, hospitals and other provider organizations. Its information services for health insurance companies and pharmaceutical producers contribute towards safer and more efficient healthcare. The company's services are based on a unique customer base of doctors, dentists, hospitals and pharmacies, as well as other service providers in healthcare. With headquarters in Germany (Koblenz), the company has a wide and global reach with offices in 19 countries and installations in 55 countries worldwide. Approximately 4,600 highly qualified employees support customers with innovative solutions for the steady growing demands of the healthcare system.

Organizational structure

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

Operating segments

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

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

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

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

Health Connectivity Services (HCS): is focused on customers within the healthcare sector that are outside the healthcare providers in the other three segments. Important customer groups in this segment are pharmaceutical companies, health insurance companies, other healthcare IT companies and consumers. The HCS solutions enable pharmaceutical companies to provide information to healthcare providers through software interfaces. In addition, CGM collects and mediates anonymous clinical data for market studies, clinical trials etc. Other HCS solutions target health insurers by providing an information channel to healthcare providers via software interfaces. Information, best practices and clinical guidelines are integrated in the workflow of the doctors to optimize decision-making and thereby assist them in delivering the highest quality and most cost efficient care. Other service examples from this segment are clinical decision support systems as well as drugs and therapy databases for healthcare providers. For other healthcare IT companies and consumers, CGM offers solutions for personal health records, consumer portals and mobile applications.

Reporting segments

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

Business model

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

Ambulatory and Pharmacy Information Systems target smaller, office based providers where the customer, buyer, decision maker and daily user of the software often is one and the same person. Sales and decision cycles are short, and installation and delivery of solutions is usually completed over the course of a few days. Software maintenance and other recurring revenue is the primary source of income and over the last few years the proportion of recurring revenue has been between 60 and 80 percent. Other revenue is up-front (one-time) charges coming from license sales, training/consulting and other sales such as third party licenses, associated hardware and equipment etc. Customer relationships are generally long-term.

Hospital Information Systems is a project oriented business where the buyer, decision maker and daily user typically are not the same person. In this segment, the customer is usually a hospital administration (IT or procurement department), the administration of a hospital chain or other operator of hospital networks, a regional care organization or regional public sector organization. In Europe, hospitals and care institutions are predominantly owned and operated by the public sector and thus subject to public tendering regulations with long lead times and long decision cycles. Installation and delivery of solutions can range from a few months to multi-year delivery projects. Compared to Ambulatory and Pharmacy Information Systems, the volume of consulting and other professional services is significantly higher and software maintenance and other recurring revenue currently constitute around 60 percent of revenue.

The business model in Health Connectivity Services is for communication and data solutions based on co-operation agreements (typically with 6-12 months duration), ad-hoc advertising (on-going) and project revenue for collection and mediation of clinical data. HCS revenue in workflow and decision support is based on project sales (license and professional services), software maintenance and support, and performance-based revenue (cost and quality of care based).

External factors influencing the business

The healthcare market is in general a large and growing market, with a resilient profile relative to business cycles. Global health care spending was in 2017 approximately USD 1,340 per capita and as a percentage of Gross Domestic Product (GDP) 10.5 on average, with regional percentages of 16.7 percent in North America, 10.5 percent in Western Europe, 7.1 percent in Latin America, 6.8 percent in Asia/Australasia, and 5.9 percent in the Middle East/Africa. For the period 2017 to 2021, global healthcare spending is expected to grow 4.1 percent annually while the average spending as percentage of GDP is expected to remain at the same level until 2019¹. Health expenditure in Germany exceeded the threshold of 1 billion euros per day for the first time in 2017. Compared with 2016, the Federal Statistical Office forecasts a 4.9 percent increase in health expenditure to EUR 374 billion in 2017. From 2015 to 2016, an increase of 3.8 percent to EUR 356 billion, or EUR 4,330 per inhabitant, had been recorded. This was a share of 11.3 percent of the gross domestic product. The higher growth rate in 2017 is due to the third Act to Strengthen Long-Term Care that entered into force on 1 January 2017.² As a percentage of GDP, healthcare spending in Germany ranked third in an OECD comparison after the US (17.2 percent) and Switzerland (12.4 percent)³. Even during economic downturns, people will still require medical aid and medicine to overcome illness. Therefore, a business in the healthcare sector is often considered to be defensive because the products and services are essential. Having a consistent demand for goods and services makes this sector less sensitive to business cycle fluctuations.

Changes to the composition of the Group

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

1 Source: The Economist Intelligence Unit. World Healthcare Outlook June 2017

2 Source: German Federal Statistical Office. Federal Health Monitoring information February 2018

3 Source: OECD. Health Statistics (database) February 2018

Combined Management Report *continued*

Acquisition of AIS sales and service partners, Germany

In January 2017, CompuGroup Medical Deutschland AG, a wholly owned company of the CGM Group, acquired 95 percent of the shares of K-Line Praxislösungen GmbH in Germany. K-Line is a sales and service partner for CGM in the segment Ambulatory Information Systems. In April 2017, K-Line Praxislösungen GmbH acquired the customer contracts of Zöchling Computersysteme GmbH through an asset deal. Also in April, TURBOMED Vertriebs- und Service GmbH, a wholly owned company of the CGM Group, acquired the business of Janson & Even Innovationsgesellschaft mbH through an asset deal.

Acquisition of Barista Software BVBA, Belgium

In August 2017, CompuGroup Medical Belgium BVBA, a wholly owned company of the CGM Group, acquired 100 percent of the shares of Barista Software BVBA in Belgium. Barista develops and sells the Ambulatory Information System "Daktari" to office-based doctors in Belgium.

Acquisition of APV Ärztliche Privatverrechnungsstelle GmbH/ HABA Computer AG, Germany

In September 2017, CompuGroup Medical Deutschland AG, a wholly owned company of the CGM Group, acquired 100 percent of the shares of APV Ärztliche Privatverrechnungsstelle GmbH, which holds 98 percent of the shares of HABA Computer AG in Germany. HABA provides workflow and decision support solutions for health insurance companies in Germany.

Acquisition of Farmages Software, S.L., Spain

In November 2017, Medigest Consultores S.L.U., a wholly owned company of the CGM Group, acquired 52 percent of the shares of Farmages Software S.L. in Spain. Farmages develops and sells the Pharmacy Information System "Infarm" to Pharmacies in Spain.

Acquisition of Advanced Technology Explained N.V, Belgium

In November 2017, CompuGroup Medical Belgium BVBA, a wholly owned company of the CGM Group, acquired 100 percent of the shares of Advanced Technology Explained N.V (ATX) in Belgium. ATX develops the Ambulatory Information System "DentAdmin" for dentists, orthodontists, and periodontists in Belgium and Luxembourg.

Disposal of Privadis GmbH, Germany

In June 2017, CompuGroup Medical Deutschland AG, a wholly owned company of the CGM Group, disposed of all shares of Privadis GmbH in Germany. Privadis offers financial factoring to doctors and dentists in Germany and was reported in the HCS segment.

Deconsolidation of Intermedix Italia S.r.l., Italy

In June 2017, a deconsolidation from the group results from the merger of Intermedix Italia S.r.l. into Fablab S.r.l., both Italy. Due to missing control at closing date, Fablab is recognized as an associated company valued at equity. Intermedix Italia offers communication and data services to pharmaceutical companies in Italy and was reported in the HCS segment.

Objectives and strategies

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

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

Internal management system

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

1. Growth
2. Return on Capital
3. Sustainability

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

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

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

A comprehensive set of financial and non-financial key performance indicators are derived from the three primary objectives described above. Unchanged since 2013, we used the following financial KPIs to manage our performance in 2017. Unless otherwise stated, all financial numbers are reported and audited IFRS figures. For further details on IFRS reporting, please see section E of the notes to the Consolidated Financial Statements.

Main financial indicators:

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

EBITDA/EBITDA margin: Earnings before interest, taxes, depreciation and amortization (EBITDA) is a good indicator of our raw cash generating ability, before consideration of expenditures related to taxation, investments and financing. It is particularly relevant when comparing segments and business units since capital procurement and larger investments (in particular company acquisitions) are Group level responsibilities that are not subject to the direct influence of the business units. Correspondingly, the EBITDA margin defined as the EBITDA relative to sales revenue expressed as a percentage is a good indicator of operating profitability. Variable Management Board compensation is remunerated on the basis of EBITA. Due to the relatively low and stable development of depreciation on property, plant and equipment in a software company, the volatility of EBITA is comparable to EBITDA, which is why EBITDA is reported externally.

Other financial indicators:

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

EUR '000	2017	2016	Source
Software maintenance and other recurring revenue	387,835	374,901	Note 19
Hardware rental (non-IFRS)*	4,978	5,043	Internal accounts
Recurring revenue	392,813	379,944	
Growth (in %)	3.4%	3.7%	

* Classified as financial lease under IFRS

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

EUR '000	2017	2016	Source
Group sales revenue	582,375	560,195	Income Statement
Vega	5,804	2,344	Internal accounts
Micromedic	1,363	315	Internal accounts
K-Line/Zöchling	1,811		
Other acquisitions/disposals	2,437	1,933	Internal accounts
Group organic revenue	570,960	555,603	
Organic growth (in %)	2.8%	1.8%	

Combined Management Report *continued*

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

EUR '000	2017	2016	Source
Consolidated net income	31,682	44,470	Income Statement
Amortization without amortization of self-developed software	26,465	27,842	Change in Intangible and Tangible Assets
Goodwill impairment	0	4,386	Change in Intangible and Tangible Assets
Cash Net Income	58,147	76,698	

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

EUR '000	2017	2016	Source
Net debt	321,997	330,439	a + b – c
a. Liabilities to banks (non-current)	318,118	316,122	Statement of financial position
b. Liabilities to banks (current)	34,241	42,073	Statement of financial position
c. Cash and cash equivalents	30,362	27,756	Statement of financial position
EBITDA	128,444	125,667	Income Statement
Leverage	2,51	2,63	

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

EUR '000	2017	2016	2015	Source
Earnings before interest and tax (EBIT)	90,069	81,844		Income statement
After-tax operating income	63,048	57,291		EBIT x (1 – 30%)
Invested Capital		641,395	614,478	a – b + c – d
a. Assets		807,905	791,678	Statement of financial position
b. Current liabilities		180,827	194,077	Statement of financial position
c. Current liabilities to banks		42,073	41,934	Statement of financial position
d. Cash and cash equivalents		27,756	25,057	Statement of financial position
Return on Capital (%)	9.8%	9.3%	8.0%	After-tax operating income Invested Capital (t-1)

Non-financial indicators:

CGM's access to a large and growing customer base, the reputation we hold among our customers and our ability to serve them through highly qualified and motivated employees are critical non-financial success factors which drive all our primary objectives. Until 2016, CGM used the customer base as a non-financial KPI. The customer base represents an important measure to assess our size and relative importance in the healthcare sector and was defined as the number of healthcare professionals (doctors, dentists, pharmacists) using CGM software and services and was counted in the CRM systems used by our sales and customer service departments. However, due to structural changes in the healthcare sector where more and more doctors, dentists and pharmacists are becoming employees within larger practices and provider organizations, we are no longer able to obtain a reliable provider count from our CRM system as the exact composition of the workforce within each customer account is unknown to CGM. Beginning in 2017, we instead use the annual amount of software maintenance, software rental and software as a service (SaaS) as best estimate for the size and reach of our customer base.

EUR '000	2017	2016	Source
Software maintenance	293,992	278,504	Internal accounts
Software rental and software as a service	25,184		Internal accounts
Provider reach	319,176		

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

Research and development

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

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

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

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

Capitalized in-house services

In accordance with the provisions of IAS 38, the development work for capitalized in-house services (approximately 370 thousand hours) is capitalized as an asset, which had a EUR 16.8 million effect on CGM's EBITDA in 2017. The amortization of capitalized in-house services from prior periods was EUR 2.8 million in 2017. The vast majority of this development work stemmed from the development project G3.HIS (new development of a Hospital Information System) which involves several Group companies. The larger item in terms of development hours has generated costs in the current year. This mainly involves software maintenance by adapting/ constantly improving software products to new and/or amended legal or contractual requirements, work which cannot be recognized in assets. Depending on the area of expertise and/or current regulations, updates are generally required each quarter. The share of capitalized in-house services relative to total software development and maintenance costs was 12 percent in the reporting period. The average number of employees working in software development and maintenance during 2017 was 1,448.

Report on Economic Position

General economic conditions

Global economic development

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

In its most recent Economic Outlook published in November 2017, the OECD provides an analysis of the major economic trends in 2017. The global economy is now growing at its fastest pace since 2010, with the upturn becoming increasingly synchronized across countries. This long awaited lift to global growth, supported by policy stimulus, is being accompanied by solid employment gains, a moderate upturn in investment and a pick-up in trade growth. Global GDP growth is projected to be 3.6 percent in 2017 which is half a percent more than in 2016 (3.1 percent). Growth in the OECD economies has accelerated to around 2.4 percent (2016: 1.8 percent) which is identical to the development in the Euro area. In the non-OECD economies, the same improvement can be seen with real GDP growth going from 4.1 percent in 2016 to 4.6 percent in 2017.⁴

4 Source: OECD. Economic Outlook November 2017

Combined Management Report *continued*

Industry development

The consistent trend of a growing healthcare sector, including healthcare-specific information technology and related services, was apparent also in 2017. According to a study published by Markets and Markets in March 2017, factors such as growing need to manage regulatory compliance through healthcare IT solutions (HCIT), government support for HCIT solutions, rising need to curtail escalating healthcare costs, high return on investment for HCIT solutions, growing focus on improving quality of care and clinical outcomes, emergence of accountable care organizations, and rising usage of Big Data analytics are driving the healthcare IT market⁵.

In terms of numbers, the same study by Markets and Markets projects the healthcare IT market to reach USD 280 billion by 2021 from USD 134 billion in 2016, at a compounded annual growth rate of 15.9 percent during the forecast period. In 2015, North America accounted for the majority share of the global HCIT market followed by Europe and Asia-Pacific. The large share of this region can be attributed to the stringent legislative and accreditation requirements regarding healthcare, the high adoption rate of HCIT technologies in order to curtail the soaring healthcare costs, regulatory requirements regarding patient safety, and the presence of a large number of IT companies in the region. Europe is the second-largest healthcare IT market. The large share of this region can mainly be attributed to factors such as government initiatives in European countries for eHealth technologies, the need for multi-country integration regarding health information, decreasing margins in the healthcare industry, and a rapidly increasing aging population and the subsequent rise in incidences of chronic diseases in this region. However, during the forecast period, the Asia-Pacific region is expected to grow at the highest CAGR (compounded annual growth rate). Growing consumerism in the healthcare industry, accelerated economic growth of countries in the region, and the rising need to control the soaring healthcare costs are some of the key factors responsible for the emerging trend towards the digitization of patient records among healthcare organizations in this region.

The overall size of the market and its developing trends is supported by a study published by Allied Market Research published in September 2016 which estimates the world market for healthcare IT solutions and services to be USD 125 billion in 2015 and is projected to reach USD 297 billion by 2022, registering a CAGR of 13.2 percent from 2016-2022. North America is the leading regional market in 2015, and is expected to maintain its position throughout the study period⁶.

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

Change in segmentation

To better reflect the evolving portfolio of products and services in CGM, a change in segmentation has been made in 2017. Previous reporting segments HPS I, HPS II and HCS have been replaced by four new reporting segments as follows:

- Ambulatory Information Systems (AIS), including the previous operating segment ISP.
- Pharmacy Information Systems (PCS).
- Hospital Information Systems (HIS).
- Health Connectivity Services (HCS), no longer divided into operating segments.

Some business units have also been re-allocated to a different segment to reflect market changes over the last 10 years. This mostly concerns the AIS business in Sweden where a part corresponding to approximately EUR 19 million of annual revenue has been re-allocated to the HIS segment. Parts of the HCS business in Germany corresponding to approximately EUR 7 million of annual revenue and where the customers group is hospital pharmacies has also been re-allocated to the HIS segment. Further details regarding the change in segmentation can be found in Section F of the notes to the Consolidated Financial Statements. All following sections are described according to the new segmentation.

Course of business

In summary, 2017 was a good year in all operating segments except Ambulatory Information Systems. Pharmacy Information Systems delivered financial performance in line with the forecast whereas Hospital Information Systems and Health Connectivity Services ended well ahead of what was planned for the year. The main reason for the shortfall in Ambulatory Information Systems is lower than planned revenue from the roll-out of the Telematics Infrastructure in Germany. The original assumption was for the roll-out to begin in the middle of 2017 but a number of delays in the completion of required products and services, hereunder the finalization of specifications and subsequent security certification and accreditation of key components such as the connector and card reader, pushed the start of installations out until the very end of 2017 and CGM was only able to begin deliveries in the month of December. Despite having more than 11,000 orders and with a fast and successful ramp-up of deliveries at the time, CGM could not schedule with the customers the expected number of installations in the final weeks of 2017. The orders not delivered in 2017 were installed at the beginning of 2018 instead.

In light of these developments, the Management Board lowered its financial forecast for the year 2017 during December. The revised outlook was for revenue between EUR 580 million and EUR 590 million (original: EUR 600 to 630 million) and EBITDA between EUR 125 million and EUR 130 million (original: EUR 138 to 150 million).

⁵ Source: Markets and Markets. Healthcare IT market global forecast to 2021. March 2017

⁶ Source: Allied Market Research. Healthcare IT market outlook 2016 – 2022. September 2016

The table below shows the 2017 outcome compared with the forecast presented in the Management Report for the 2016 financial year (published in March 2017), as expressed by the most important financial KPIs of the internal management system.

(EUR m)	2017 outcome	2017 forecast	Deviation (from mid-range)
Sales revenue	582	600-630	-33
Revenue growth (%)	4.0%	7-12%	-5.5%
Organic growth (%)	2.8%	6-11%	-5.7%
Recurring revenue	393	395	-2
Recurring revenue growth (%)	3.4%	4%	-0.6%
EBITDA	128	138-150	-16
EBITDA margin (%)	22.1%	23%-24%	-1.4%
Cash Net Income	58	85-93	-31
Return on Capital (%)	9.8%	10.4%-11.7%	-1.3%

As can be seen from the table above, most KPIs are below the forecasted ranges. The main reasons behind this development are the mentioned revenue shortfalls in Ambulatory Information Systems.

Ambulatory Information Systems (AIS)

In the 2016 Management Report, the expected 2017 full year AIS revenue was forecasted between EUR 357 million and EUR 375 million (including approximately EUR 3 million from acquisitions). Adjusted for changes in segmentation during 2017, the AIS revenue forecast interval was between EUR 364 million and EUR 388 million. The reported revenue outcome of EUR 334 million is significantly below this range, reflecting mainly the lower than expected revenue from the roll-out of the Telematics Infrastructure in Germany. In addition, the early cancellation of the ORS-1 project reduced revenue from this activity and 2017 was also a weak year in the US business. Changes in currency exchange rates also reduced the reported revenue in the AIS segment with EUR 0.8 million in 2017 compared to the exchange rates in 2016.

Testing of the Telematics Infrastructure in the Northwest region, Germany (ORS-1 project)

In December 2013, CGM won the tender advertised by the Society for Telematic Applications for the German Health Card ("gematik" – Gesellschaft für Telematikanwendungen der Gesundheitskarte mbH) in a consortium with Strategy& (formerly Booz & Company) and KoCo Connector AG (a CGM group company). The tender was for the testing of the Telematics Infrastructure in the Northwest region in Germany (Schleswig-Holstein, North Rhine-Westphalia and Rhineland-Palatinate). The term "Telematik" (telematics) is a combination of the German words "Telekommunikation" (telecommunications) and "Informatik" (information technology). Telematics is concerned with networking the IT systems of doctor and dental practices, pharmacies, hospitals and health insurances, thus achieving a cross-sector information exchange and collaboration.

One of the key hardware components to be developed and delivered by the CGM consortium in the project, the so-called 'connector', was in November 2016 given its formal security certificate by the Federal Office for Information Security (BSI). Furthermore, a number of the existing card terminals were approved to be used throughout the complete pilot period (with a firmware update). With approved connector and card reader, the installation of all 506 contracted pilot users was done at the beginning of 2017. In July, the six-month testing of insurance master data management (VSDM) was completed. All test requirements were met and the goal of 500,000 eGK (electronic health card) online transactions was clearly over-fulfilled with 1.3 million transactions. The overall system was stable and performant and all issues encountered were addressed during testing and have been remedied. Experience and findings also led to changes to specifications and processes for the coming live operation of the Telematics Infrastructure.

After the successful completion of the VSDM trials, the project customer announced the decision to prematurely terminate the project and not to continue with the planned testing of Qualified Electronic Signature (QES) and Electronic Communication between Healthcare Providers (KOM-LE). The support and service of the test and reference environment was commissioned until the end of 2018 but the option to run this for another two years was not used. As a result of this cancellation, the contract value was reduced from the initial EUR 31 million to EUR 26 million and correspondingly with lower costs for the remaining project period. The effects from these changes are fully reflected in the 2017 results. All new eHealth services will in the future be developed by the IT industry within the framework of an open market model where gematik is responsible for the approval of such services. The next eHealth services planned for the Telematics Infrastructure are QES, KOM-LE, Emergency Data Management (NFDM) and the Electronic Medication Plan (eMP).

The German eHealth law and national rollout of the Telematics Infrastructure

Parallel to the testing of the Telematics Infrastructure, the German federal Ministry of Health (BMG) prepared a new bill – "The eHealth Law" (Gesetz für sichere digitale Kommunikation und Anwendungen im Gesundheitswesen), where the mandatory national rollout and use of the Telematics Infrastructure and electronic health card was written into German law. With clear majority, the bill was approved in the Bundestag (German parliament) in December 2015 and the new law became effective January 2016.

Combined Management Report *continued*

In April 2017, the federal association of dental practitioners (KZBV), the federal association of practicing physicians (KBV), and the top association of the health insurance funds (GKV-Spitzenverband), agreed on financing agreements for the national roll-out. The agreements reached by the doctor and dental associations are near identical and include specific amounts that will be reimbursed to the providers both for initial expenses and recurring operating costs. A financial incentive mechanism was also built in which gives those who connect early to the Telematics Infrastructure a higher reimbursement compared to those who connect later.

In July 2017, the shareholders of gematik released the online productive operation (OPB) and thereby manifested the national roll-out of the Telematics Infrastructure. The eHealth law originally stated the deadline for the connection of all doctor and dental practices to be June 30, 2018 but this deadline was subsequently extended to December 31, 2018 by the Federal Council (Bundesrat).

Also in July, CGM launched the sales campaign for its Telematics Infrastructure connection package to doctors and dentists all over Germany. An early-booker offer was launched at a price point fully covered by the reimbursement the providers receive through their respective financing agreements. In total, 7,500 orders were received from the early booker campaign.

Parallel to the sales campaign, CGM trained and certified more than 500 technicians from the CGM sales and service partners for the installation work. The certification program covers all steps to efficiently and securely connect a practice to the Telematics Infrastructure and to train the doctors and dentists in the use of the components and services.

The construction of the VPN access service to connect customers to the Telematics Infrastructure was completed in October and received its accreditation from gematik in November. This service is offered from certified high security data centers at primary internet nodes in Frankfurt and Düsseldorf.

In November, CGM received all necessary approvals from gematik and was the first company able to offer the complete chain of required TI components and services to doctors and dentists in Germany. These components and services include the CGM primary software for physicians, dentists and hospitals, as well as the connector, the VPN access service and the stationary e-health card terminal.

In December, the final component in the overall network design, the so-called practice or institutional card (Security Module Card Type B – SMC-B) for physicians was given the approval of the Federal Doctors Association (KBV) and gematik. The SMC-B is a SIM card that doctors need to order separately from a provider of their choice. With the SMC-B – comparable to a SIM card in a mobile phone – the practice can connect its TI components to the central network of the Telematics Infrastructure.

After fulfilling all requirements, CGM closed the year 2017 with around 12,000 orders for the TI connection package, of which around 4,700 were installed by 31 December 2017.

Developments in the United States

In the United States, revenue in local currency was in 2017 stable at USD 43.3 million (2016: USD 43.8 million). The lack of growth is due to lower volume of software license sales this year whereas the main part of the business model, software maintenance and other recurring service fees, increased 5 percent year-on-year. Other important developments in 2017 is a new G3 based software platform for the US market with expected completion in 2018, which is going to form an upgrade path for all legacy products currently in use in the US.

Broader distribution model in Germany

The sales and distribution of software and hardware products towards doctors and dentists in Germany, as well as the associated service and support, is today predominantly done through a network of sales and service partners. These sales and service partners are predominantly independent IT system houses that specialize in a product line from CGM and support and sell towards medical and dental practices in their regional environment.

CGM wants to integrate closer with these highly specialized partners and at the same time strengthen the distribution power for new products and services in Germany. This goal shall be reached by selectively taking equity participations in efficient sales and service partners and gradually build CGM's own direct nationwide sales and service network. Discussions with various partners regarding an investment or full acquisition were performed during 2017 and three sales and service partner were acquired during the year (K-Line, Zöchling, Janson & Even).

Pharmacy Information Systems (PCS)

In the 2016 Management Report, the expected 2017 full year PCS revenue was forecasted between EUR 103 million and EUR 105 million (including approximately EUR 5 million from acquisitions). The revenue outcome of EUR 105 million is within this range and is a good result at the upper end of the forecast interval.

In Germany, the business intelligence and marketing tools (CGM Metis and CGM Genius) continue as the main add-on products to drive organic growth. CGM Metis is a business intelligence solution that supports pharmacies, branches and branch networks in all key business decisions. Whether purchasing, inventory, sales, marketing or staff – with CGM METIS pharmacist are not only fully informed, they are also provided in-depth analyzes and forecasts which put them in a position to control the pharmacy optimally in all areas. CGM Genius is a marketing tool that opens up the powers of digital marketing to 'normal' pharmacies. By using this tool, pharmacies can optimize their marketing spending between multiple channels, from traditional printed media to a rich variety of content and ready campaign templates for Internet use.

In Italy, special hardware campaigns for server and infrastructure upgrades as well as robotic prescription dispensing systems which began in 2016 have been continued in 2017 to enable the Italian customers to benefit from special tax incentives in the form of increased tax depreciation for machinery and equipment, including computer equipment.

Hospital Information Systems (HIS)

In the 2016 Management Report, the expected 2017 full year HIS revenue was forecasted between EUR 73 million and EUR 75 million. Adjusted for changes in segmentation during 2017, the revenue forecast interval was between EUR 95 million and EUR 97 million. The revenue outcome of EUR 101 million is above this range with most markets delivering results above expectations. The hospital business is currently dominated by the activities in the DACH region with Germany, Austria and Switzerland currently making up over 70% of the revenue in the segment.

CGM Clinical deployment in Austria

In 2015, CGM was awarded the contract for the implementation and delivery of a comprehensive new hospital information system for the five regional hospitals of the Vorarlberg Hospital Organization (KHBG) in Austria. The project start was in September 2015 and the implementation of the complete solution is planned for a 3-year period until autumn 2018.

As part of the contract, CGM went live in the Federal State Hospital in Feldkirch at the beginning of October 2017. This step has always been viewed as one of the major milestones for this project as Feldkirch has more than 25 wards, 36,000 in-patient stays, 1,600 staff and about 600 nurses. It is the largest and most complex of all the five hospitals in this roll out process. The comprehensive HIS implementation with KHBG represents the first time CGM has mapped essential core clinical processes using the CGM Clinical suite. This solution now supports the central patient work flow from admission to discharge, basic and specialist medical documentation including diagnosis, medication and care planning and documentation complete with a nursing timeline and connection to the electronic health record system ("ELGA") provided by the Federal Government in Austria. With this go-live, CGM has now created the first truly large-scale and productive reference for the CGM Clinical hospital product and with a considerable proportion of this HIS solution now using new G3-based technology.

Health Communication Services (HCS)

In the 2016 Management Report, the expected 2017 full year Health Connectivity Services revenue was forecasted between EUR 67 million and EUR 75 million. Adjusted for changes in segmentation during 2017, the revenue forecast interval was between EUR 38 million and EUR 40 million. The revenue outcome of EUR 43 million is above the high end of this range and especially the market in Germany contributed to a strong year for the HCS business. The positive development in Germany is mainly a result from an increased number of projects in medical value communication for originator companies (e.g. vaccination reminders, genetic classification of patients, drug safety alerts, value tracking for stroke risk patients etc.).

Joint Venture with AXA Group – MGS My Health Services

In 2015, the private insurer AXA Group and CGM founded a joint venture "MGS My Health Services GmbH". The objective of this strategic partnership is to simplify processes between private insurance, doctors, hospitals and other medical service providers to make everyday health management more convenient and efficient for all. The new company MGS has developed to this end the patient portal "My health" based on contributions from both AXA and CGM. This cross-linked for the first time in the German market all stakeholders in private health insurance, in particular invoice management, which is previously handled almost entirely paper-based. The shareholder structure of MGS was expanded in 2017 when the leading private insurers DeBeKa and VKB joined AXA and CGM as strategic investors in MGS. The shareholders of MGS now represent more than 40% of the privately insured market in Germany and these institutions will now actively promote MGS services to their insured members. The MGS services are based on CGM Life and other products and services from CGM.

Results of Group operations

EUR m	2017	2016
Group sales	582.4	560.2
Other income	10.6	7.9
Capitalized in-house services	16.8	10.3
Expenses for goods and services purchased	107.1	104.4
Personnel expenses	269.5	260.1
Other expenses	104.7	88.3
EBITDA	128.4	125.7
in %	22.1%	22.4%
EBIT	90.1	81.8
in %	15.5%	14.6%
EBT	65.6	74.2
in %	11.3%	13.2%
Consolidated net income	31.7	44.5
in %	5.4%	7.9%

Combined Management Report *continued*

Revenue

Consolidated revenue in 2017 was EUR 582.4 million compared to EUR 560.2 million in 2016. This represents an increase of EUR 22.2 million and 4.0 percent respectively. Acquisitions and divestitures contributed 1.1 percent to growth and organic growth was 2.8 percent for the year. The weakening of non-EURO currencies decreased revenue with EUR 1.6 million compared to last year and organic growth at constant exchange rates was 3.1 percent in 2017.

Sales to third parties in Ambulatory Information Systems grew 3.2 percent, of which 2.3 percent is organic growth at constant exchange rates. Growth in AIS is driven by the first revenue contributions from the roll-out of the Telematics Infrastructure in Germany whereas some previously recognized project revenue has been reversed following the early cancellation of the ORS-1 project. In Pharmacy Information Systems, sales to third parties grew 7.3 percent, of which 3.2 percent is organic growth with no currency exchange effect. Hospital Information Systems had a strong year with 4.8 percent organic growth. Sales to third parties in Health Connectivity Services were flat year-on-year. Adjusted for divestitures and currency effects, the organic growth in HCS was 4.6 percent.

Segment sales to third parties (including acquisitions, divestitures and currency effects):

EUR m	2017	2016	Change
Ambulatory Information Systems	334.1	323.7	3.2%
Pharmacy Information Systems	104.8	97.7	7.3%
Hospital Information Systems	100.8	96.2	4.8%
Health Connectivity Services	42.5	42.5	0.1%
Segment sales to third parties	582.3	560.1	4.0%

Profit

Consolidated EBITDA amounted to EUR 128.4 million compared to EUR 125.7 million in 2016. The corresponding operating margin (EBITDA margin) was 22.1 percent compared to 22.4 percent in 2016.

In the AIS-Segment, the EBITDA increased from EUR 95.1 million in 2016 to EUR 100.4 million in 2017. The higher EBITDA is a result from improvements in the core AIS business and reduced losses recorded in the ORS-1 project in 2017 compared with 2016.

In the PCS segment, the EBITDA was EUR 25.9 million in 2017, up from EUR 24.9 million in 2016.

In the HIS segment, the EBITDA went from EUR 7.0 million last year to EUR 10.1 million in 2017 driven by positive developments in Germany, Sweden and Poland.

In the HCS segment, the EBITDA went from EUR 18.3 million last year to EUR 19.7 million in 2017.

On Group level, main developments in operating expenses in 2017 were:

- Expenses for goods and services purchased went from EUR 104.4 million to EUR 107.1 million. The gross margin is virtually unchanged compared to 2016 at 81.6 percent.
- The increase in personnel expenses by EUR 9.4 million is driven by smaller changes in the composition of the workforce as well as general salary inflation.
- Other expenses increased from EUR 88.3 million in 2016 to EUR 104.7 million in 2017. This increase is mostly driven by significant additional expenses related to the completion of the ORS-1 project as well as the preparations for the roll-out of the Telematics Infrastructure.

Depreciation of tangible fixed increased from EUR 8.4 million in 2016 to EUR 9.1 million in 2017, mostly driven by more assets related to the Telematics Infrastructure in Germany. Amortization of intangible assets in 2017 in the amount of EUR 29.2 million is EUR 6.2 million lower than in 2016 mainly due to lower amortization of purchase price allocations due to assets now fully amortized as well as effects from goodwill impairments in 2016.

Financial income decreased from EUR 8.1 million in 2016 to EUR 3.8 million this year due largely due to non-cash gains on non-EURO group internal debt in 2016. The financial expense increased from EUR 14.3 million in 2016 to EUR 27.1 million in 2017. Interest expense on liabilities to banks increased slightly from EUR 7.9 million in 2016 to EUR 8.4 million in 2017, whereas the other financial expenses are mostly non-cash items arising from changes in non-EURO group internal debt and changes to purchase price liabilities. For more information about financial income and expenses, see the Notes to the Consolidated Financial Statements section, Note 26.

The effective tax rate was in 2017 52 percent, up from 40 percent in 2016. The higher tax rate in 2017 is mostly due to tax adjustments from prior years' tax audits. After tax earnings came in at EUR 31.7 million in 2017, compared to EUR 44.5 million in 2016. This decrease is predominantly driven by the non-cash financial expenses on non-EURO group internal debt in 2017 compared to 2016.

Financial position

Since the statement of financial position of 31 December 2016, total assets increased by EUR 17.1 million to EUR 825.0 million. Intangible assets represent the largest item of individual asset classes in terms of value and are EUR 534.6 million as of 31 December 2017 compared to EUR 538.2 million as of 31 December 2016. Their share of total assets was 64.8 percent (previous year: 66.6 percent). Intangible assets primarily originated from undisclosed reserves from company acquisitions uncovered during purchase price allocations. The uncovered intangible assets mainly pertain to customer relationships, order backlog, software, brand values, and "residual" goodwill. Tangible assets increased by EUR 9.0 million through the purchase of additional hardware and equipment in relation to the operation of the telematics Infrastructure. Under current assets, inventories increased from EUR 5.3 million as at 31 December 2016 to EUR 12.5 million as at 31 December 2017. This is mainly due to connectors and card readers for the Telematics Infrastructure roll-out. For all other assets there are only minor changes during 2017.

After consolidating EUR 31.7 million in net profit for the period from 1 January to 31 December 2017, group equity was EUR 236.1 million as at 31 December 2017, up from EUR 218.7 million as at 31 December 2016. The increase in equity comes after the effect from a EUR 17.4 million dividend paid to the shareholders of CompuGroup Medical SE. In addition, the equity effect from changes in currency exchange rates amounted to EUR 3.5 million during 2017. The equity ratio increased from 27.1 percent as at 31 December 2016 to 28.6 percent as at 31 December 2017.

During the reporting period there is no material change to total current and non-current liabilities being EUR 588.9 million as at 31 December 2017. The biggest change to individual positions is a decrease in trade payables of EUR 12.6 million related to the strong growth in purchases for the Telematics Infrastructure roll-out. Long and short-term liabilities to banks increased by EUR 5.8 million through the net repayment of debt.

Changes in currency exchange rates increased the net assets of the Group by EUR 3.5 million during the reporting period (previous year: EUR 1.5 million).

Cash flow

Cash flow from operating activities during 2017 was EUR 84.7 million compared to EUR 67.6 million in 2016. The changes compared to 2016 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 increased from EUR 68.8 million in 2016 to EUR 89.9 million in 2017. This increase is mainly related to non-cash changes in income tax liabilities and deferred tax and non-cash financial expenses in 2017.
- Change in working capital gave a decrease in operating cash flow of EUR -4.1 million compared to EUR -1.2 million in 2016.

Cash flow from investment activities during 2017 amounted to EUR -56.1 million compared to EUR -49.4 million in 2016. There are only smaller changes to investments in 2017 compared to 2016.

Cash flow from financing activities during 2017 amounted to EUR -28.0 million compared to EUR -15.7 million in 2016. Main items which make up the financial cash flow in 2017 is the dividend distribution of EUR 17.4 million and a net repayment of loans and financial leasing arrangements of EUR 10.2 million.

Principles and objectives of financial management

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

The external debt in CompuGroup Medical SE is usually held in EURO currency and on the basis of variable interest rates. Due to the international focus of the Group, incoming and outgoing payments are performed in various currencies. The Company generally strives to achieve natural hedging by its choice of locations and suppliers and at present the Company does not use any derivative financial instruments to hedge the foreign currency exposure. The development of the relevant positions is monitored regularly to ensure adequate response to significant changes in the positions.

Dividend policy: CGM considers dividends to be tied to long-term sustainable earnings and aims to steadily increase in steps, or at least maintain, the dividend paid per year. Dividends declared and approved by the shareholders are paid annually in conjunction with the general meeting usually held in May.

Capital structure

CGM primarily uses debt and internally generated cash flows to finance acquisitions. In terms of equity, the goal is to manage consolidated profits, dividends and share buy-backs to keep the equity ratio above 25 percent.

As at 31 December 2017 the Group had gross debt of EUR 352.4 million and held EUR 30.4 million in cash. For more information about the liabilities to banks and the structure of debt, see the Notes to the Consolidated Financial Statements section, Note 13.

Combined Management Report *continued*

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

As of 31 December 2017 EUR 150 million of the TLF and EUR 165.0 million of the RLF were utilized. Loan origination fees totaling EUR 3.2 million were incurred related to these facilities. These fees will be charged as a financial expense over the term of the loan agreement. For this syndicated loan facility no interest rate hedge has been concluded as of the reporting date. The grant of the loan is linked to the compliance of certain financial covenants. The loan agreement includes joint and several guarantees for payment by a number of CGM's subsidiaries (contingent liability in case of non-payment of CompuGroup Medical SE).

Investments

The investments of CGM during 2017 are composed of:

EUR m	2017
Company acquisitions	7.7
Investments in joint ventures and associated companies	5.5
Self-developed software and other intangible assets	18.9
Group-wide ERP-/CRM-System (partial project)	3.2
VPN access service (TI)	7.8
Land and property	3.1
Other fixed assets	9.1
Sum	56.1

Liquidity

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

The strong liquidity profile of the Group has led to the principle of holding as little cash as practically possible. To absorb normal everyday cash fluctuations, and also buffer the period pre-payments from customers, the Group held as at 31 December 2017 revolving credit facilities of EUR 175 million and other short term credit lines of EUR 26.5 million that are used in conjunction with the cash-pooling instruments. The unused portion of these credit facilities was EUR 36.0 million as at 31 December 2017.

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

Financial and non-financial key performance indicators

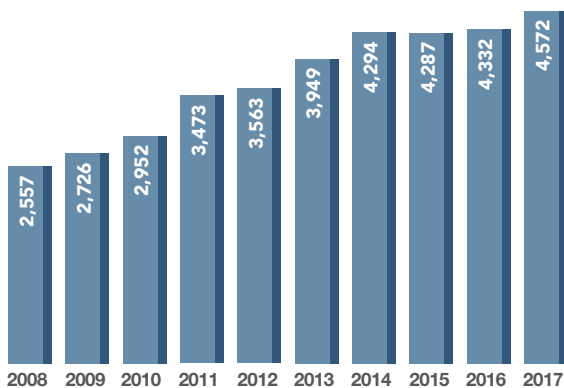
The financial and non-financial KPIs of the internal management system for the Group are shown in the table below for 2017 and 2016.

EUR m	2017	2016	Change
Sales revenue	582.4	560.2	22.2
Revenue growth (%)	4.0%	3.2%	0.8%
Organic growth (%)	2.8%	1.8%	1.1%
Recurring revenue	392.8	379.9	12.9
Growth in recurring revenue (%)	3.4%	3.7%	-0.3%
EBITDA	128.4	125.7	2.8
EBITDA-margin (%)	22.1%	22.4%	-0.4%
Cash Net Income	58.1	76.7	18.6
Leverage (ratio)	2.51	2.63	-0.12
Return on Capital (%)	9.8%	9.3%	0.5%
Customer reach (SW maintenance)	319.2		

Based on these indicators, the performance in 2017 represents a positive development from 2016. In terms of the growth indicators, the business began to accelerate in 2017 from the first revenue contributions from the roll-out of the Telematics Infrastructure in Germany. In terms of sustainability, the development in 2017 continues in a positive direction. Solid additions to the provider reach and recurring revenue base shows that growth is created in a consistent way in accordance with the business model and strategic goals of CGM, i.e. revenue based primarily on long-term customer relationships and recurring revenue. The growth in recurring revenue and increased provider reach is a strong foundation for future growth and underpins the sustainability objective.

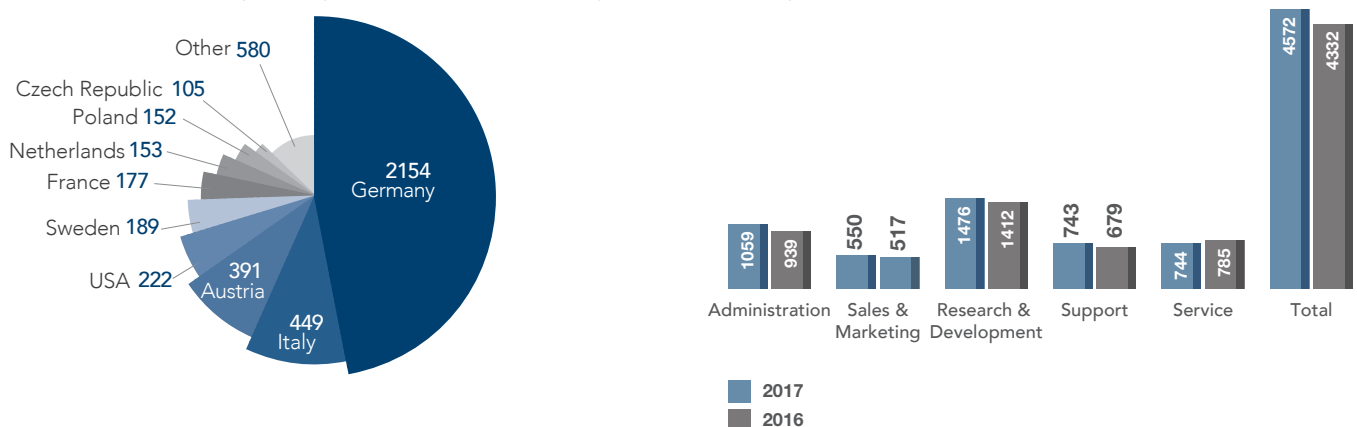
Employees

At year-end 2017, CGM employed 4,572 persons worldwide which is 6 percent more compared to last year (4,332). With regard to the development in the number of employees over the last 5 years (2013- 2017), the average annual increase was approximately 5 percent per year.



In Germany alone, which is currently the largest market, CGM had 2,154 employees in the 2017 financial year, representing 47 percent of the total number of employees worldwide.

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



Combined Management Report *continued*

Corporate Social Responsibility reporting

CGM's reporting on non-financial information and diversity information (Corporate Social Responsibility – "CSR") will be published separately on the company's website at <http://www.cgm.com>. The CSR reporting will comply with the EU Directive 2014/95/EU and its application under the German company code.

Annual Financial Statements of CompuGroup Medical SE

Profit and financial position of CompuGroup Medical SE

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

EUR m	2017	2016
Operating income	-18.0	-4.7
Investment income	71.8	74.7
Depreciation of financial assets	-2.0	-25.6
Net interest result	-1.8	-4.3
Tax result	-18.4	-19.0
Profit before tax	31.6	21.1
Other taxes	-0.2	0.0
Annual result	31.4	21.1

The decrease in operating income of EUR 13.3 million to EUR -18.0 million resulted primarily from lower costs allocations to Group companies in 2017 as well as higher IT costs in the parent company related to a centralization of Internal IT function. The change in Internal IT structure led to a decrease in operating income of EUR -5,038 thousand and the charge for the use of the CGM brand was in 2017 EUR 5,018 thousand compared to the first-time charge in 2016 in the amount of EUR 9,820 thousand which covered both years 2016 and 2015. Changes in currency exchange rates also led to an increase in other expenses in the amount of EUR 1,464 thousand.

As a holding company, the profitability of the CGM SE depends largely on the development of its operating subsidiaries and the corresponding investment income, which is comprised of the net income from profit and loss pooling agreements plus other income from investments such as capital gains and dividends. Compared to the previous year, a decrease in investment income of EUR 2.9 million from EUR 74.7 million to 71.8 million was recorded.

Due to the lower earnings in CGM Deutschland AG and CGM Clinical Deutschland GmbH, there is a negative total development in investment income in 2017 from the assumption of profit and loss pooling agreements. The development of investment income from 2016 to 2017 is made up as follows:

EUR m	2017	2016
CompuGroup Medical Deutschland AG	21.4	28.6
Lauer-Fischer GmbH	12.7	12.6
CompuGroup Medical Dentalsysteme GmbH	18.6	17.7
Ifap Service Institut für Ärzte und Apotheker GmbH	5.9	5.1
CGM Clinical Deutschland GmbH	1.8	2.2
Net income from profit and loss pooling	60.4	66.2
Other income from investments	11.4	8.5
Investment income	71.8	74.7

The improved contribution from CompuGroup Medical Dentalsysteme GmbH is mainly related to the pooling of results from the subsidiary Intermedix Deutschland GmbH being EUR 0.6 million higher in 2017 compared to 2016. In addition, a higher operating profit of EUR 0.3 million was recorded.

Despite a slightly improved operating result in the 2017 financial year, CGM Deutschland AG contributed with a lower profit transfer compared to the previous year. The lower result results mainly from the merger losses of Stock Informatik GmbH & Co. KG amounting to EUR 5.3 million. There was also a EUR -0.2 million decrease from the profit and loss pooling agreement with CGM software GmbH.

The operating result of Lauer-Fischer GmbH increased by EUR 0.1 million.

Although the result of ifap GmbH decreased slightly by EUR 0.1 million, it contributes higher compared to the previous year due to an increase in the profit transfer of CGM Mobile GmbH in the amount of EUR 0.9 million. This substantial increase in the operating result is due to the contract development project "Digital Control Center", which started in 2016.

The earnings development of CGM Clinical Deutschland GmbH in 2017 is, in spite of the lower result, positive compared to the 2016 financial year due to the positive contribution from the group-internal sale of the IT Design & Service business unit in the amount of EUR 1.6 million.

The increase in other income from investments results from dividend distributions from the subsidiaries Profdoc A.S in the amount of EUR 6.5 million, from CGM Clinical Austria GmbH in the amount of EUR 3.0 million and from CompuGroup Medical Česká republika s.r.o. in the amount of EUR 1.9 million.

In fiscal year 2017, a write-down on financial assets of EUR 2.0 million was made for the impairment of the carrying amount of the investment and loans of the subsidiary CompuGroup Medical Bilgi Sistemleri A.S, Turkey.

Net interest expense in the year under review was as follows:

EUR m	2017	2016
Interest income from loans granted	6.8	5.8
Other interest and similar income	2.2	2.7
Interest and similar expenses on loans taken	-10.9	-12.8
Net interest expense	-1.8	-4.3

Income from loans granted increased by EUR 1.0 million compared to last year. Other interest and similar income decreased by EUR 0.4 million on EUR 2.2 million in the financial year due to a lower internal interest rate compared to the previous year. Interest and similar expenses on loans taken fell by EUR 1.9 million compared to the previous year. The main reason for this is a decrease in interest rates paid on external debt.

Tax expense for the period amount to EUR 18.4 million (previous year: EUR 19.0 million). This corresponds to a tax rate of profit from ordinary activities of around 35 percent.

The control of payments is mainly done by the Treasury department based in Koblenz through a cash management system. In the operating business, the capital requirements of the Group companies are normally covered by the cash-flow from operating activities.

Combined Management Report *continued*

Net assets of CompuGroup Medical SE

With a share of about 75 percent (previous year about 85 percent), financial assets are in terms of value the most important item in the balance sheet, which is in accordance with the function as a holding company. Intangible assets consist almost entirely of capitalized expenses in connection with the Group-wide SAP implementation project 'OneGroup'.

Compared to last year, the carrying amount of financial assets decreased by EUR 23.3 million to EUR 564.2 million. This is almost exclusively due to decreases in loans to affiliated companies amounting to EUR -22.8 million. The net reduction in loans to Group companies are primarily towards CompuGroup Medical Holding Coöperatief U.A. (EUR -27.2 million), CompuGroup Medical Belgium BVBA (EUR +4.8 million), K-LINE Praxislösungen GmbH (EUR +3.7 million), CGM Immobilien Stuttgart GmbH, Deutschland (EUR -2.9 million) and KoCo Connector AG (EUR +3.1 million).

In the 2017 financial year, CGM SE has made no share repurchases. The own shares held by the company as at date 31.12.2017 is unchanged at 3,495,731 which are presented at the balance sheet date at their notional value in a separate column from equity. The issued capital is recognized correspondingly lower. The corresponding theoretical value of the share is reported as a reserve in accordance with § 237 AktG 5 (analog).

The equity ratio for the reporting period is at 26.7 percent slightly lower than the previous year (previous year: 27 percent).

In September 2014, a syndicated loan facility of EUR 400 million for a term of 5 years (until September 2019) was completed and was at the balance sheet date utilized with EUR 315 million. In addition to the syndicated loan, there is still an innovation loan from IKB and other credits in the amount of EUR 26.7 million as at 31 December 2017.

Receivables from affiliated companies and liabilities to affiliated companies from intercompany cash management system are also balanced in the position "Interest and similar expenses".

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

Report on Expected Developments

The healthcare market is in general a large and growing market, with a resilient profile relative to business cycles. For the period 2017 to 2021 the Economist Intelligence Unit (EIU) expects healthcare spending to accelerate, driven by ageing and growing populations, emerging-market expansion, advances in treatments and rising labor costs (exacerbated by international competition for healthcare workers). In Europe, the economy and healthcare spending could be dampened by the UK's decision to leave the EU (so-called "Brexit"). In the US, much depends on how healthcare policies change under Donald Trump as president. Notwithstanding these uncertainties, the EIU still expects global health spending to see robust growth averaging 4.1% a year in 2017-21⁷.

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 410 million at the beginning of 2018, compared to EUR 392 million in 2017. This corresponds to a 4 percent increase. However, different to prior years, a larger and more dynamic component on top of the recurring revenue is expected in 2018 as a consequence of the further roll-out of the Telematics Infrastructure in Germany.

Total Group revenue is in 2018 expected to be in the range of EUR 700 million to EUR 730 million, corresponding to an organic growth rate of 20-25 percent. The following revenue details are based on the four new reporting segments:

- AIS revenue is expected to be in the range of EUR 453 million to EUR 477 million including a growth contribution of approximately EUR 3 million from acquisitions. The corresponding growth rate is 36-43 percent, of which most all is organic growth. This outlook reflects all currently available information related to the further roll-out of the Telematics Infrastructure in Germany in 2018.
- PCS revenue is expected to be in the range of EUR 107 million to EUR 109 million with only a minor growth contribution from acquisitions. This corresponds to an organic growth rate of 2-4 percent.
- HIS revenue is expected to be in the range of EUR 98 million to EUR 100 million, which is a small contraction compared to last year. Some opportunities in 2017 will not repeat in 2018 and a change to customer contract structures will reduce pass-through revenue from 3rd party software with approximately EUR 3 million in 2018.
- Revenue in the HCS segment is expected to be in the range of EUR 42 million to EUR 44 million in 2018, corresponding to a flat revenue development.

In terms of profitability, 2018 is expected to be a year of margin expansion relative to 2017. Operating margin (EBITDA margin) is expected to be in the range of 25-26 percent and the corresponding EBITDA is expected to be in the range of EUR 175 million to EUR 190 million.

Depreciation of fixed assets is on Group level expected to be approximately EUR 10 million in 2018 and amortization of intangible assets is expected to be approximately EUR 30 million, of which EUR 24 million will come from amortization of purchase price allocations related to past acquisitions. The corresponding Group earnings before interest and tax (EBIT) is in 2018 expected to be in the range of EUR 135 million to EUR 150 million.

⁷ Source: The Economist Intelligence Unit. World Healthcare Outlook December 2017

Assuming a consistent investment volume in the 2018 financial year, CompuGroup Medical SE assumes that the leverage ratio will change down by 0.2 to 0.3 and end up in the range 2.3 – 2.4.

The 2018 forecast of the most important financial KPIs of the internal management system are shown in the table below.

EUR m	2018 forecast	2017 outcome	Change
Sales revenue	700-730	582	118-148
Revenue growth (%)	20%-25%	4.0%	16%-21%
Organic growth (%)	20%-25%	2.8%	17%-22%
Recurring revenue	410	393	17
Recurring revenue growth (%)	4%	3.4%	1%
EBITDA	175-190	128	47-62
EBITDA margin (%)	25%-26%	22.1%	3%-4%
Cash Net Income	110-120	58	51-62
Leverage (ratio)	2.0-1.5	2.5	-0.5-1.0
Return on Capital (%)	14.6%-16.2%	9.8%	4.8%-6.4%
Provider reach	332	319	4%

Looking at the financial year 2019, CGM expects a lower contribution from the roll-out of the Telematics Infrastructure which may lead to lower Group revenue in 2019 compared with 2018. Longer term, CGM expects continued revenue growth with Group EBITDA and Group earnings after taxes expected to record higher growth rates compared to revenue. As a market leader in Europe, and with a significant business in the United States, the company is ideally positioned to benefit from changes in healthcare systems all over the world with demand for software solutions and IT services less sensitive to economic climate. As such, CGM does not expect permanent or long-lasting deterioration of the market conditions in the future. Our strategy is based on a highly resilient business model with high margins and high proportion of recurring revenue from software maintenance and related services combined with high costs for customers to switch and technological barriers preventing competitors to enter the market.

Overall assessment CGM group (guidance)

In summary, CompuGroup Medical offers the following guidance for 2018:

- Group revenue is expected to be in the range of EUR 700 million to EUR 730 million.
- Group operating income (EBITDA) is expected to be in the range of EUR 175 million to EUR 190 million.

The foregoing outlook is given as at March 2018 and does not include revenue and costs associated with potential and currently undetermined further acquisitions during 2018. The outlook for 2018 represents management's current best estimate of the market conditions that will exist in 2018 and how the business segments of CompuGroup Medical will perform in this environment.

Outlook for CompuGroup Medical SE

Investment income is expected to develop in line with the planned positive growth in the Group. Net interest income is expected to remain at the 2017 level. The Company therefore expects a pre-tax profit from ordinary activities between EUR 35.0 million and EUR 38.5 million for the local GAAP (HGB) financial statements for 2018. For 2019, no significant changes are expected.

Risk Report

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

The risk management system of CompuGroup Medical is implemented in all Group companies and in all the individual business units. A significant component of the risk management system is the Group-wide early warning system, for example in the form of internal benchmarking, cost efficiency analysis and performance gap analysis related to Key Performance Indicators. An Internal Audit function was created during 2014, of which responsibility includes the review of the adequacy, effectiveness and efficiency of risk management. Within the framework of good corporate governance, the internal control system also operates alongside and in support of the risk management system.

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

Combined Management Report *continued*

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

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

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

- Strategic risks
- Economic and political risk
- Operational risks
- Financial risks
- Regulatory risks
- Personnel risks
- Data processing risks
- Project risks
- M&A risks
- Tax risks

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

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

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

A comprehensive risk report is submitted from the Group Controller to the Management Board on a quarterly basis. For the period from 1 January 2017 to 31 December 2017 the risks within the ten areas were reported to the Management Board. According to the quantity of the reported risks, the following ranking shows the risk areas in order of importance for the Group:

1. Operational risks	(1)
2. Financial risks	(4)
3. Strategic risks	(2)
4. Data processing risks	(7)
5. Macroeconomic and political risk	(5)
6. Regulatory risks	(8)
7. Personnel risks	(6)
8. Project risks	(3)
9. M&A risks	(9)
10. Tax risks	(10)

The numbers in parenthesis show the importance ranking of the risk areas for 2016. As a result of the reassessment of potential risk areas and individual risks the ranking of the risk categories have changed since 2017. Overall, the risk position has decreased during 2017 in terms of possible annual maximum damage. The same applies to the anticipated potential annual damage. From the individual risk categories, the higher risk positions are driven by changes in market conditions and are predominantly found within financial risks, data processing risks and regulatory risks. The expected annual loss potential for operational was reduced due to an improved market environment and resulted in a swap with financial risks in the order of ranks 1 and 2.

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

The risk reporting process is supported by an intranet-based database which ensures transparent communication throughout the Group. During the 2017 financial year, the Internal Audit function periodically assessed the quality and function of our risk management system. As part of the annual audit in 2017, an external audit of the structure and function of our risk management system in accordance with section 317, paragraph 4 German Commercial Code (HGB) was performed, confirming that it is suitable to detect ahead in time developments that threaten the going concern of the Group.

Operational risks

This risk area includes risks associated with research and development, markets and customers. The analysis of expected potential annual loss for all identified operational risks is approximately EUR 8 million (previous year: EUR 7 million). The potential annual maximum damage within this category inside a 95 percent confidence interval amounts to approximately EUR 39 million (previous year: EUR 33 million), with a 5 percent probability that there may be a higher, unexpected damage.

Research and development

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

Market and customer risks

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

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

Financial risks

This risk area includes risks associated with liquidity and refinancing risks, currency risks, acquisition risks and control risks. The analysis of expected potential annual loss for all identified financial risks is approximately EUR 5 million (previous year: EUR 5 million). The potential annual maximum damage within this category inside a 95 percent confidence interval amounts to approximately EUR 24 million (previous year: EUR 20 million), with a 5 percent probability that there may be a higher, unexpected damage.

Liquidity and refinancing risks

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

The syndicated loan (EUR 400 million – for details see Group notes) covers the Group's basic capital requirements. It is composed of a term loan and a revolving loan. CompuGroup Medical has other credit lines (with a combined EUR 27.1 million limit) that are used for covering its short and medium-term liquidity requirements from operating activities and for expenses resulting from the Group restructuring measures, so as to provide additional capital if and when required.

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

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

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

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

Combined Management Report *continued*

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

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

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

Currency risks

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

Strategic risks

This risk area includes risks which can endanger the target achievement due to an insufficient orientation of the Company to the respective market environment. The analysis of expected potential annual loss for all identified strategic risks is approximately EUR 4 million (previous year: EUR 7 million). The potential annual maximum damage within this category inside a 95 percent confidence interval amounts to approximately EUR 18 million (previous year: EUR 26 million), with a 5 percent probability that there may be a higher, unexpected damage.

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

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

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

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

Due to potential new business opportunities related to the introduction of the telematics infrastructure in Germany, CGM is manufacturing Konnektor-technology with the help of subcontractors. Due to the resulting first-time status as a hardware producer, CGM may enter into risk areas typical for a production company.

Data processing risks

This risk area includes risks arising from a lack of coordination and alignment of IT strategy with corporate objectives, insufficient data in IT systems, inadequate documentation, etc. The analysis of expected potential annual loss for all identified risks in this area is approximately EUR 4 million (previous year: EUR 2 million). The potential annual maximum damage within this category inside a 95 percent confidence interval amounts to approximately EUR 18 million (previous year: EUR 9 million), with a 5 percent probability that there may be a higher, unexpected damage.

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

GDPR

On May 25, 2018, the General Data Protection Regulation (GDPR) comes into force. It sets out requirements and mandatory measures for all companies worldwide that process personal data of people who are in the EU. In addition to standardizing European data protection laws, the regulation also provides for severe fines for non-compliance of up to € 20 million or 4% of the company's worldwide turnover (whichever is higher).

Macroeconomic and political risks

This risk area includes risks arising from political changes and the influence of macroeconomic developments. The analysis of expected potential annual loss for all identified macroeconomic risks is approximately EUR 3 million (previous year: EUR 2 million). The potential annual maximum damage within this category inside a 95 percent confidence interval amounts to approximately EUR 14 million (previous year: EUR 14 million), with a 5 percent probability that there may be a higher, unexpected damage.

The products and services offered by CGM are currently marketed in 55 countries. Both the development of business relations in these countries as well as the business activity itself is associated with the usual risks for international business dealings. This is in general and in particular related to the existing general economic or political situation of the single countries, the diversity of different tax systems, legal barriers in terms of import and export restrictions, competition regulations and laws for the use of the Internet or restrictions for the development and deployment of software products and services.

CGM counteracts these risks by regularly consulting with local lawyer's offices and tax advisors in countries where it is entering the market or conducting further business activities and by communicating with local public authorities. In general, risks that may arise from changes in macroeconomic factors can never be excluded completely. CGM has no material business activity in the United Kingdom and is therefore not directly affected by the UK's decision to leave the EU (so-called "Brexit").

Regulatory risks

This risk area includes risks related to law and politics. The analysis of expected potential annual loss for all identified regulatory risks is approximately EUR 3 million (previous year: EUR 2 million). The potential annual maximum damage within this category inside a 95 percent confidence interval amounts to approximately EUR 14 million (previous year: EUR 8 million), with a 5 percent probability that there may be a higher, unexpected damage.

Risks related to law and politics

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

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

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

Personnel risks

This risk area includes risks arising from the concentration of business-relevant expertise to individual employees, staff turnover, staff over- and-under utilization, poor working environment, etc. The analysis of expected potential annual loss for all identified risks in this area is approximately EUR 2 million (previous year: EUR 2 million). The potential annual maximum damage within this category inside a 95 percent confidence interval amounts to approximately EUR 11 million (previous year: EUR 10 million), with a 5 percent probability that there may be a higher, unexpected damage.

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

Combined Management Report *continued*

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

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

Risk from project business

This risk area includes risks arising from non-compliance with agreed timelines, missing or inadequate staff resources, lack of or inadequate material resources, lack of customer acceptance of the project deliverables etc. The analysis of expected potential annual loss for all identified risks in this area is approximately EUR 1 million (previous year: EUR 5 million). The potential annual maximum damage within this category inside a 95 percent confidence interval amounts to approximately EUR 7 million (previous year: EUR 23 million), with a 5 percent probability that there may be a higher, unexpected damage.

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

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

M&A risks

This risk area concerns risks related to the acquisition and integration of new companies and business assets. The analysis of expected potential annual loss for all identified risks in this area is approximately EUR 1 million (previous year: EUR 1 million). The potential annual maximum damage within this category inside a 95 percent confidence interval amounts to approximately EUR 5 million (previous year: EUR 4 million), with a 5 percent probability that there may be a higher, unexpected damage.

Going forward, CGM plans to further expand its presence in the national and international market. These plans include further company acquisitions and such transactions are always carried through with utmost care and diligence. Nevertheless, a certain risk is always associated with every acquisition, which again may impact the Group's results.

A substantial part of the assets of CGM consists of intangible assets acquired as part of acquisitions. Under the Group's accounting principles, these intangible assets are subject to an annual value test in particular to verify that the value of the goodwill in the balance sheet is still present. Here, various factors such as changes in legislation or the competitive environment can have a significant impact on the value of intangible assets. Such testing may lead to an impairment of goodwill values with a corresponding adjustment of the book value of these assets. Any goodwill impairment will lead to a commensurate lowering the Group's results.

Tax risks

This risk area is related to risks for additional tax payments (also in acquired businesses), pricing of goods and services between affiliates and inaccurate legal structure as a result of inaccurate tax planning. The analysis of expected potential annual loss for all identified risks in this area is approximately EUR 1 million (previous year: EUR 1 million). The potential annual maximum damage within this category inside a 95 percent confidence interval amounts to approximately EUR 2 million (previous year: EUR 3 million), with a 5 percent probability that there may be a higher, unexpected damage.

In terms of general risks from ongoing tax audits the group has from today's perspective made sufficient provisions. However, it cannot be completely excluded that tax authorities will levy additional claims for which the company has made no or insufficient provisions.

Representation of the overall risk position

Adding all risk areas together, the level of potentially expected total annual loss for the Group is EUR 34 million (previous year: EUR 33 million). The potential annual peak damage at Group level within a 95 percent confidence interval is EUR 153 million (previous year: EUR 149 million), with a 5 percent probability that there may be a higher, unexpected damage.

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

Internal control system and risk management system relevant for the consolidated financial reporting process (Section 289 (5) or Section 315 (2) No. 5 of the HGB)

In our financial reporting, there is a risk that the consolidated annual and interim financial statements contain errors and misrepresentations that may have a significant influence on the decisions of their addressees. Our accounting-related internal control system (ICS) aims to identify possible sources of error and to minimize the resulting risks. It encompasses the financial reporting throughout the Group.

In this way, we can provide assurance that the consolidated financial statements are prepared according to statutory rules. The following disclosure of the financial reporting process conforms to Section 289 (5) and Section 315 (2) No. 5 of the Handelsgesetzbuch (HGB – German Commercial Code) in accordance with the German Accounting Modernization Act (BilMoG), effective 29 May 2009. The main features of CompuGroup Medical SE's existing internal control system and the risk management system in relation to the (Group) financial reporting process can be described as follows:

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

Combined Management Report *continued*

- For key issues in accounting, risk management and the audit mandate of the auditor, the Supervisory Board has established an Audit Committee.
- For all main financial reporting processes, a "four-eye principle" is applied.

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

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

Report on Opportunities

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

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

Operative opportunities

Technological leadership and innovation

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

G3 technology

CGM's product strategy is based on a strategic R&D program named 'G3'. The goal with G3 is a common technology for all markets and segments. The architecture of G3 is based on a high degree of service-orientation and flexibility and the product is fully ready for SaaS offerings, including the ability also to power mobile applications, and can be deployed in almost any provider setting from single clinic use to regional and even national solutions. With the implementation and delivery of the new hospital information system for Vorarlberg Hospital Organization in Austria, CGM now has the first truly comprehensive and productive reference for the new G3-based technology. The first pilot customers were also installed in office-based practices in Germany. Going forward, CGM expects to increase its competitive advantages based on G3 technology.

Organizational and process-related improvements

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

Strategic opportunities

Leading market position for Ambulatory Information Systems (AIS)

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

market, where the value and success of connecting doctors, hospitals and other healthcare participants is closely related to the number of participants.

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

Telematics Infrastructure in Germany

The Telematics Infrastructure is a long-term growth opportunity for CGM and the pilot project delivered in 2014-2017 is only the first stage in a transformation to a significantly higher revenue opportunity for CGM. With a full national rollout now written into German law, CGM has the opportunity to sell new eGK-compliant online access products to all existing customers in Germany. Even more important; the Telematik Infrastructure fits perfectly with CGM's strategy to provide more products and services to its customers, such as eServices, ePrescriptions, eLabOrder, physician networks, online clinical pathways, hosting services etc.

Consumer Engagement

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

Software Assisted Medicine

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

Financial opportunities

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

Opportunities related to law and politics

The demand for IT solutions is universal across all healthcare systems in Western industrial countries given the same challenges being faced of aging populations and increasing treatment costs. Accordingly, CGM's business model is transferable to many different international markets, particularly given its long-standing experience. As a result of this, CGM has been able to increase its geographical diversity and currently is present with offices in 19 countries and installations in 55 countries world-wide.

Personnel opportunities

Successful and experienced management team

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

Attractive employer

The strong motivation, skills and creativity of our employees are the main sources of our success. Therefore, a sound education and the regular development of each individual are critical factors for our future. In 2017, CGM employed 88 trainees in Germany in areas ranging from office assistants to IT-specialist. Two thirds of all apprentices in 2017 were given a job offer from CGM after successful completion of final exams. The staff development concept of CGM includes seminars, language courses, on-the-job training and a modular development program for young professionals. A good balance between work and private life is a crucial basis for employee satisfaction and performance – to the benefit of employees and the company. With a daycare center being operated at the office campus in Koblenz CGM is actively promoting the reconciliation of work and family. In this center, up to 43 children are cared for by experienced educators since 2009.

Data processing opportunities

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

Overall picture of opportunities

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

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

Takeover-related Disclosures**Information Pursuant to Section 315 (4) Commercial Code****Composition of subscribed capital**

The share capital of CompuGroup Medical SE amounts to EUR 53,219,350 and is composed of 53,219,350 no-par bearer shares with the security identification code 543730 (ISIN: DE0005437305). Since 4 May 2007, the shares have been traded on the regulated market on the Frankfurt Stock Exchange (Prime Standard) and the company is currently a member of the TecDAX index which tracks the performance of the 30 largest German companies from the technology sector. Taking into consideration the treasury shares held by the Company in the amount of 3,495,731 shares, the voting capital comes to 49,723,619 common shares.

Restriction pertaining to voting rights or the transfer of shares

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

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

Two effectively separate concluded pooling agreements, first between Frank Gotthardt, GT1 Vermögensverwaltung GmbH, Dr. Brigitte Gotthardt and Prof. Dr. Daniel Gotthardt, and secondly between GT1 Vermögensverwaltung GmbH and Dr. Reinhard Koop, result in the attribution of 21,621,177 shares to the share pool, reflecting 40.63 percent of shares with voting rights. The purpose of both pooling agreements is, among other things, to safeguard a consistent exercise of voting rights with respect to the shares of CompuGroup Medical SE. Frank Gotthardt as well as GT1 Vermögensverwaltung GmbH hold additional shares which are not attributable to the share pool.

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

Interests in capital exceeding 10 percent of the voting rights

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

Shares with special rights that confer control powers

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

Nature of voting-right controls in the event of employee participations

The Management Board is not aware of any Company employees holding interests in the Company in some manner in which they do not exercise their control rights directly for themselves.

Legal provisions and provisions of the articles of association concerning the appointment and dismissal of members of the Management Board and concerning amendments to the articles of association

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

Powers of the Management Board for issuance and repurchase of shares**Authorized capital**

Pursuant to the resolution of the Annual General Meeting on May 18, 2016, the Management Board with the approval of the Supervisory Board is until May 17, 2021 authorized to increase the equity of the Company by up to EUR 26,609,675.00 through a one-time or multiple issuances of new shares for cash and/or in-kind capital contributions (approved capital). In utilizing approved capital, the shareholders must in principle be granted a subscription right; however, the Management Board is also authorized, with the approval of the Supervisory Board, to exclude the statutory subscription right of the shareholders under certain conditions. Furthermore, the Management Board was authorized, with the approval of the Supervisory Board, to determine the further details for capital increases from authorized share capital.

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

Pursuant to the resolution of the Annual General Meeting on May 20, 2015, according to Section 71 (1) No. 8 AktG, the company was authorized to acquire treasury stock up to a total of 10 percent of the value at the time of the resolution or, if this value is lower, exercise of this authorization. The authorization is valid until May 20, 2020. The shares acquired together with other treasury shares owned by the company or attributable to it pursuant to Sections 71d and 71e of the German Stock Corporation Act may at no time account for more than 10 per cent of the capital stock at the time of the resolution. The acquisition may also be carried out by third parties dependent on the company within the meaning of Article 17 of the German Stock Corporation Act (AktG) or by third parties for its account. The authorization may not be used for the purpose of trading treasury shares.

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

- (1) If the share purchase is performed on the stock exchange, the purchase price for one share may not be more or less than 10 percent of the Company's unweighted average share price, as calculated by the closing auction of the Xetra trading system (or a corresponding successor system) on the Frankfurt am Main stock exchange in the five trading days prior to the purchase date.
- (2) If the share purchase is performed through a public purchase offer to all shareholders or through a public invitation to all shareholders to submit sales offers, the purchase price for one share (without ancillary purchase costs) may not be more or less than 20 percent of the Company's unweighted average share price, as calculated by the closing auction of the Xetra trading system (or a corresponding successor system) on the Frankfurt am Main stock exchange in the five trading days prior to the public notification of the invitation to submit such an offer.
- (3) The purchase offer or invitation to submit sales offers may stipulate further conditions. If the purchase offer is oversubscribed or, in the case of an invitation to submit sales offers of several equivalent offers, not all offers are accepted, the shares must be allocated proportionately to the shares respectively offered. A preferential acceptance of low numbers of tendered shares up to 100 shares per shareholder and rounding in accordance with commercial principles could be foreseen.

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

- (1) With the approval of the Supervisory Board they may be sold on the stock exchange or offered to all shareholders. In addition, with the approval of the Supervisory Board they may be sold by another means provided the consideration for the sale is in cash and the sales price at the time of the sale is not significantly lower than the share price for the same class share on the stock exchange. The total proportion of the shares sold under this authorization in relation to the total share capital, together with the proportion of the share capital of new shares that have been issued since the shareholders' resolution for this authorization, i.e. since May 21, 2015, due to any authorizations for share issues from authorized capital in accordance with Section 186 (3) Sentence 4 AktG, may not exceed 10 percent of the Company's share capital.
- (2) With the approval of the Supervisory Board they may be offered and transferred to third parties for the purposes of direct or indirect acquisition of companies, Company shares or equity investments in companies.
- (3) With the approval of the Supervisory Board they may be offered and sold as consideration, so that the Company or one of its subsidiaries are issued copyright or third party intellectual property rights by third parties, particularly patents or brands, or licenses to such rights, for the marketing and development of CGM products.
- (4) The shares may also be utilized to exercise options arising from share options granted by the Company.
- (5) Such shares may be used to meet obligations or rights to acquire CompuGroup shares, especially from or in connection with the company or associated companies to be granted conversion or option rights.
- (6) In addition, with the approval of the Supervisory Board, they may also be cancelled without the need for an additional Annual General Meeting. The proportion of the remaining shares in relation to share capital will not be increased by a cancellation. Notwithstanding the above, the Management Board can determine that equity is not reduced, but instead the percentage of the other shares in equity is raised in accordance with Section 8 (3) AktG. In this case, the Management Board is entitled to amend the number of shares stated in the articles of association.

The authorizations previously issued in accordance with (1) to (6) may be used on one or more occasions, in full or in part, individually or collectively, and the authorizations in accordance with (1) to (5) may be used pursuant to instructions issued by the Management Board but also by dependent companies or companies in which the Company holds a majority stake, or third parties acting on the Company's account.

The subscription right of the shareholders to treasury shares is excluded insofar as these shares are used according to the above authorizations in numbers (1) to (5).

Combined Management Report *continued*

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

According to the resolution of the Annual General Meeting of May 10, 2017, the Management Board was given the authorization to issue convertible bonds (and similar instruments) and corresponding conditional capital. The authorization is limited to a volume of EUR 500 million.

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

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

According to the resolution of the Annual General Meeting of 10 May, 2017, the Management Board of CompuGroup Medical SE was authorized, with the consent of the Supervisory Board, to issue registered or bearer convertible bonds, bonds with warrants, profit participation certificates or profit participation bonds (or combinations of these instruments) (hereinafter referred to collectively as "Bonds") amounting to a total principal amount of up to EUR 500 million on one or more occasions up to and including May 9, 2022, to grant bearers or rather creditors (hereinafter referred to collectively as "Bearers") of the Bonds conversion rights and warrants on Company shares with a proportionate share in equity capital of up to EUR 26,609,675.00 in accordance with the terms and conditions of the Bonds (hereinafter also referred to as "Bond Terms and Conditions") and to place conversion and warrant obligations on these Bonds. The Bonds, conversion rights, warrants and conversion and warrant obligations may be issued with no maturity limitations. The Bonds can also be issued in return for a contribution in kind. The Bonds can be issued in euros and in the official currency of an OECD member country, provided that the corresponding euro equivalent is not exceeded.

(2) Granting or exclusion of subscription rights

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

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

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

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

(3) Conversion right

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

(4) Warrant

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

(5) Conversion and warrant obligation

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

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

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

If, during the term of a Bond for which conversion rights, warrants or conversion or warrant obligations have been granted or rather stipulated, the financial value of existing conversion rights, warrants or conversion or warrant obligations is diluted and no subscription rights are granted in the form of compensation. In this case conversion rights, warrants or conversion or warrant obligations – disregarding Section 9 (1) Akt. G – can be adjusted while preserving their value provided that such an adjustment is not already required by law. In all cases, the proportion of the equity capital of all shares to be subscribed to per Bond may not exceed the nominal value per Bond or rather the lower issue price.

(7) Further options

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

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

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

Creation of new conditional equity

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

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

In accordance with the resolution of the Annual General Meeting of May 10, 2017, the Management Board of CompuGroup Medical SE is authorized to stipulate further terms and conditions of the conditional increase of equity.

Combined Management Report *continued*

Amendment to the articles of association

On the basis of the resolution of the Annual General Meeting from May 10, 2017, Section 4 (6) of the Company's articles of association was amended as follows: "Equity is increased by up to EUR 26,609,675.00 (in words: twenty-six million six hundred and nine thousand six hundred and seventy-five euros) through the issue of up to 26,609,675 new bearer shares with dividend entitlement from the start of the financial year of their issuance (conditional equity 2017). The conditional equity increase is only performed to the extent to which bearers or creditors of convertible bonds, bonds with warrants, profit participation certificates or profit participation bonds exercise their conversion rights or warrants on the basis of Bonds the Company issues in return for cash up to and including May 9, 2022 as a result of the authorization resolution of the Annual General Meeting from May 10, 2017 or to the extent to which conversion or warrant obligations are met on the basis of such bonds and provided that no other forms of fulfillment are used to service these rights. The Management Board is authorized, with the approval of the Supervisory Board, to determine the further details of the implementation of the conditional capital increase"

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

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

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

Should there be a "change-of-control" of the Group, Mr. Christian B. Teig may terminate his contract by the month-end and receive a severance payment of up to EUR 1.8 million. According to this provision, change-of-control is defined when Mr. Frank Gotthardt and his family have in total less than 30 percent of the shares of Compugroup Medical SE, or any other natural or legal person control more shares in Compugroup Medical SE than Frank Gotthardt and his family.

Share Repurchase Programs

Within the share repurchase programs starting on 09 July 2012, CGM SE did not acquire any own shares in the reporting period.

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

Corporate Governance declaration

The Corporate Governance declaration pursuant to Section 289a HGB and Section 315 (d) HGB is published on the company's website at <http://www.cgm.com>. It includes the declaration in accordance with Section 161 AktG and details on key corporate governance practices and operation of management and supervisory board.

Remuneration System

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

Compensation of the Management Board

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

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

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

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

On 14 December 2012, the Supervisory Board of CompuGroup Medical SE appointed Frank Gotthardt for a new four and a half year term as CEO, starting 1 July 2013 and ending 31 December 2017. In addition to an annual fixed salary of EUR 660,000, Mr Frank Gotthardt is entitled to a performance-related remuneration depending on the average EBITA and average organic growth rate in the fiscal year and the following two years. Because the contract term is limited to the end of 2017, the period of averaging is reduced from fiscal year 2016. In the last year of his term (fiscal year 2017), the amount of the bonus depends also on the level of recurring revenues, which must be higher in fiscal year 2018 than in fiscal 2017. Otherwise, the bonus for the fiscal year 2017 is reduced proportionally. Should Frank Gotthardt during the contract period die or become permanently incapacitated, the fixed annual salary and the variable portion of compensation for a period of three months will be paid (death benefits to beneficiaries). The Supervisory Board has subsequently extended the contract with Mr Frank Gotthardt of another term of office of five years, from January 1, 2018 to December 31, 2022 as Chairman of the Management Board and CEO.

On 17 March 2016, the Supervisory Board of CompuGroup Medical SE appointed Christian B. Teig for a third four year term as CFO, starting on 1 October 2016 and ending on 30 September 2020. In addition to an annual fixed salary of EUR 400,000, Christian B. Teig has been granted a results dependent compensation of up to EUR 400,000 per year, composed of two equal components each with a maximum of EUR 200,000 per year. The first performance-based remuneration component depends on the achievement of individually defined goals for each annual fiscal year. The second performance-based compensation component is measured by the average EBITA and average organic growth in the financial year and the previous period. As fringe benefit, Christian B. Teig is also entitled to a company car. In the Supervisory Board meeting held on 17 March 2018, the exercise period for the 375,000 stock options held by Christian B. Teig with an exercise price of EUR 5.50 per share has been extended until 30 September 2020. The stock options may be exercised at any time before this date (American options) without taking further conditions into account. Should Christian B. Teig during the contract period become permanently disabled, the service contract is terminated six months after determination of incapacity. In the event of termination by the Company, Mr. Christian B. Teig receives a severance payment in the amount of up to EUR 1,800,000 or the amount of the total compensation that would be payable for the remaining term of the employment contract after the early termination. The service contract also includes a change of control clause (section "Information required by Section 315 Section 4 of the German Commercial Code"). In the event of a change of control, Christian B. Teig has the right to cancel his contract within one month to the end of the month and the aforementioned severance payment shall be paid in full.

On 8 September 2016, the Supervisory Board of CompuGroup Medical SE appointed Uwe Eibich for a further four year term as member of the Management Board, starting 1 January 2017 and ending 31 December 2020. In addition to an annual fixed salary of EUR 400,000, Uwe Eibich has been granted a results-dependent compensation of up to EUR 100,000 per year. The performance-related remuneration depends on the achievement of individually defined goals for each annual fiscal year. Furthermore, Mr. Uwe Eibich is entitled to an additional performance-based compensation over the contract term of up to EUR 600,000. The second performance-related remuneration depends on the revenue from business in relation to the introduction of the Telematik Infrastructure in Germany as well as on recurring revenue from other eHealth services CGM provides on the basis of the Telematik Infrastructure. Uwe Eibich is also entitled to a company car. Should Mr. Uwe Eibich during the contract period die or become permanently incapacitated, the fixed annual salary and the variable portion of compensation for a period of three months will be paid (death benefits to beneficiaries). In the event of termination by the Company, Mr. Uwe Eibich receives a severance payment equal to the pro rata compensation due until the end of his term. The severance payment is limited to a maximum amount of EUR 600,000.

At its meeting on March 19, 2015, the Supervisory Board of CompuGroup Medical SE decided to expand the Management Board by adding the "Process and Efficiency Management" section, and at the same time appointed Frank Brecher in the new position as Chief Process Officer with effect from April 1, 2015 and for a period of four years. In addition to an annual fixed salary of EUR 300,000, Frank Brecher has been granted a results dependent compensation of up to EUR 200,000 per year. The performance-based remuneration component depends on the achievement of individually defined goals for each annual fiscal year and is annually agreed. Furthermore, Frank Brecher has been granted a result dependent compensation of up to EUR 400,000 over the contract period. The second performance-related remuneration component is based on EBITA and organic growth. Frank Brecher is also entitled to a company car. Should Mr. Frank Brecher during the contract period die or become permanently incapacitated, the fixed annual salary and the variable portion of compensation for a period of three months will be paid (death benefits to beneficiaries). In the event of termination by the Company, Mr. Frank Brecher receives a severance payment equal to the pro rata compensation due until the end of his term. The severance payment is limited to a maximum amount of EUR 900,000.

Combined Management Report *continued*

Management board compensation tables

	Frank Gotthardt CEO Joined Management Board 29.09.1993					
	Benefits granted				Inflows	
	2016	2017	2017 (min.)	2017 (max.)	2016	2017
Fixed compensation	660,000	660,000	660,000	660,000	660,000	660,000
Fringe benefits	0	0	0	0	0	
Total	660,000	660,000	660,000	660,000	660,000	660,000
One-year variable compensation	0	0	0	0	0	
Multi-year variable compensation						
Long-term incentive (01.07.2013-31.12.2017)	1,963,990	1,422,598	0	-	1,187,829	1,403,959
Other					0	
Total	2,623,990	2,082,598	660,000	-	1,847,829	2,063,959
Service cost	0	0	0	0	0	0
Total	2,623,990	2,082,598	660,000	-	1,847,829	2,063,959

	Christian B. Teig CFO Joined Management Board 01.10.2008					
	Benefits granted				Inflows	
	2016	2017	2017 (min.)	2017 (max.)	2016	2017
Fixed compensation	325,000	400,000	400,000	400,000	325,000	400,000
Fringe benefits	37,596	41,274	41,274	41,274	37,596	41,274
Total	362,596	441,274	441,274	441,274	362,596	441,274
One-year variable compensation	136,268	165,000	0	200,000	137,500	130,000
Multi-year variable compensation						
Long-term incentive (01.10.2012-30.09.2016)	86,748	0	0	0	202,902	0
Long-term incentive (01.10.2016-30.09.2020)	48,137	140,340	0	200,000	0	0
Other					0	0
Total	633,749	746,614	441,274	841,274	702,998	571,274
Service cost	0	0	0	0	0	0
Total	633,749	746,614	441,274	841,274	702,998	571,274

Uwe Eibich
EVP Telematics and eHealth
Joined Management Board 01.01.2007

	Benefits granted				Inflows	
	2016	2017	2017 (min.)	2017 (max.)	2016	2017
Fixed compensation	300,000	400,000	400,000	400,000	300,000	400,000
Fringe benefits	36,329	36,371	36,371	36,371	36,329	36,371
Total	336,329	436,371	436,371	436,371	336,329	436,371
One-year variable compensation	183,410	30,000	0	100,000	189,072	174,850
Multi-year variable compensation						
Long-term incentive (01.01.2013 – 31.12.2016)	100,000		0	0	50,000	133,495
Long-term incentive (01.01.2017 – 31.12.2020)	0	123,200	0	150,000	0	0
Other					0	0
Total	619,739	589,571	436,371	686,371	575,401	744,716
Service cost	0	0	0	0	0	0
Total	619,739	589,571	436,371	686,371	575,401	744,716

Frank Brecher
CPO
Joined Management Board 01.04.2017

	Benefits granted				Inflows	
	2016	2017	2017 (min.)	2017 (max.)	2016	2017
Fixed compensation	300,000	300,000	300,000	300,000	300,000	300,000
Fringe benefits	25,628	30,902	30,902	30,902	25,628	30,902
Total	325,628	330,902	330,902	330,902	325,628	330,902
One-year variable compensation	126,561	0	0	200,000	125,750	156,022
Multi-year variable compensation						
Long-term incentive (01.04.2015-31.03.2019)	70,206	57,600	0	100,000	0	0
Other					0	0
Total	522,395	388,502	330,902	630,902	451,378	486,924
Service cost	0	0	0	0	0	0
Total	522,395	388,502	330,902	630,902	451,378	486,924

Regarding the disclosure of management board compensation according Section 285 No. 9a HGB and Section 314 (1) No 6 (a) HGB we refer to the notes to the consolidated financial statements.

Combined Management Report *continued*

Compensation of the Supervisory Board

In fiscal year 2016, the change in legal form to a European Public Company (SE) led to changes to the composition of the Supervisory Board. These changes are included in the tables below.

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

The compensation of the Supervisory Board is based on an annual fixed amount. In the past financial year, there was a change in the amount of compensation of the individual members of the Supervisory Board compared to the previous year.

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

Supervisory Board compensation 2017

Name	Supervisory Board compensation EUR
Dr. Esser, Klaus	90,000
Dr. Flach, Ulrike (until 10.05.2017)	25,000
Dr. Handel, Ulrike (from 10.05.2017)	40,000
Prof. Dr. Gotthardt, Daniel	60,000
Rene Obermann	60,000
Schrod, Klaus	60,000
Pagenkopf, Maik	60,000
Total	395,000

Supervisory Board compensation 2016

Name	Supervisory Board compensation EUR
Dr. Esser, Klaus	60,000
Dr. Flach, Ulrike	40,000
Prof. Dr. Gotthardt, Daniel	40,000
Wild, Lothar (until 19.05.2016)	6,667
Rene Obermann	40,000
Grüner, Karl (until 19.05.2016)	6,667
Schrod, Klaus (from 20.05.2016)	36,667
Pagenkopf, Maik (from 20.05.2016)	36,667
Total	266,668

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

Dependency Report

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

Consolidated Statement of Financial Position as at 31 December 2017

Assets	Notes*	31.12.2017 EUR '000	31.12.2016 EUR '000
Non-current assets			
Intangible assets	(40)	534,608	538,191
Property, plant and equipment	(41)	82,812	73,851
Interests in affiliates (valued at-equity)	(42)	10,734	4,580
Other investments	(43)	172	168
Trade receivables	(45)	11,178	12,162
Other financial assets	(46)	1,510	845
Deferred taxes	(43)	6,041	7,668
		647,055	637,465
Current assets			
Inventories	(44)	12,497	5,271
Trade receivables	(45)	116,105	116,750
Other financial assets	(46)	2,118	1,837
Other non-financial assets	(47)	10,351	13,700
Income tax claims	(43)	6,521	3,904
Cash and cash equivalents	(48)	30,362	27,756
		177,954	169,218
Assets qualified as held for sale	(49)	0	1222
		177,954	170,440
		825,009	807,905

* Note refers to the corresponding text number in the chapter 'E. Explanation of items on the statement of financial position and income statement.'

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

Consolidated Statement of Financial Position as at 31 December 2017

Equity and Liabilities	Notes*	31.12.2017 EUR '000	31.12.2016 EUR '000
Equity	(50)		
Subscribed capital		53,219	53,219
Treasury shares		-20,292	-20,292
Reserves		201,247	184,903
Capital and reserves allocated to the shareholder of the parent company		234,174	217,830
Minority interests		1,886	823
		236,060	218,653
Non-Current liabilities			
Pensions and other non-current provisions	(51)	24,806	23,936
Liabilities to banks	(52)	318,118	316,122
Purchase price liabilities	(53)	5,321	3,512
Other financial liabilities	(56)	9,018	12,468
Other non-financial liabilities	(56)	1,427	2,839
Deferred taxes	(43)	48,976	49,548
		407,666	408,425
Current liabilities			
Liabilities to banks	(52)	34,241	42,073
Trade payables**	(54)	43,944	31,381
Income tax liabilities	(43)	15,261	16,067
Provisions	(55)	33,237	29,795
Purchase price liabilities	(53)	9,078	10,535
Other financial liabilities***	(56)	9,063	11,429
Other non-financial liabilities	(56)	36,459	39,547
		181,283	180,827
Liabilities related to assets held for sale		0	0
		825,009	807,905

* Note refers to the corresponding text number in the chapter 'E. Explanation of items on the statement of financial position and income statement.'

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

Income Statement for the reporting period 2017

	Notes*	2017 EUR '000	2016 EUR '000
Sales revenue	(57)	582,375	560,195
Capitalized in-house services	(58)	16,806	10,318
Other income	(59)	10,649	7,930
Expenses for goods and services purchased	(60)	-107,149	-104,361
Personnel costs	(61)	-269,524	-260,083
Other expenses	(62)	-104,713	-88,332
Earnings before interest, taxes depr. and amortization (EBITDA)		128,444	125,667
Depreciation of property, plants and tangible assets	(63)	-9,147	-8,423
Earnings before interest, taxes and amortization (EBITA)		119,297	117,244
Amortization of intangible assets	(63)	-29,228	-35,400
Earnings before interest and taxes (EBIT)		90,069	81,844
Results from associates recognised at equity	(64)	-1,136	-1,409
Financial income	(65)	3,754	8,086
Financial expense	(65)	-27,131	-14,308
Earnings before taxes (EBT)		65,556	74,213
Income taxes for the period	(43)	-33,813	-29,743
Results from continued operations		31,743	44,470
Profit for the period from discontinued operations		-61	0
Consolidated net income for the period		31,682	44,470
of which: allocated to parent company		31,250	44,530
of which: allocated to minority interests		432	-60
Earnings per share from continuing operations	(67)		
undiluted (EUR)		0.63	0.90
diluted (EUR)		0.63	0.90
Additional information:			
Cash net income (EUR)**		58,147	76,698
Cash net income** per share (EUR)		1.17	1.54

* Note refers to the corresponding text number in the chapter 'E. Explanation of items on the statement of financial position and income statement.'

** Definition: Consolidated net income from the period plus amortization on intangible assets with the exception of capitalized in-house services

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

Consolidated Statement of the Comprehensive Income for the reporting period 2017

	Notes*	2017 EUR '000	2016 EUR '000
Consolidated net income for the period		31,682	44,470
Items that will not be reclassified to profit/loss:			
Actuarial gains and losses from pensions			
Changes in actuarial gains and losses	(51)	-57	-269
Deferred income taxes	(43)	21	154
		-36	-115
Items that may be reclassified to profit/loss:			
Cashflow Hedges			
of which: in equity	(50)	0	0
of which: income (recycling)	(50)	0	0
Deferred income taxes	(43)	0	0
		0	0
Currency conversion differences			
of which: in equity	(50)	3,500	-1,473
of which: income (recycling)			
		3,500	-1,473
		3,500	-1,473
Operating income and expense recognized directly in equity		3,464	-1,588
Total result of the period		35,146	42,882
of which: allocated to parent company		34,714	42,942
of which: allocated to minority interests		432	-60

* Note refers to the corresponding text number in the chapter 'E. Explanation of items on the statement of financial position and income statement.'

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

Changes in Consolidated Equity for the reporting period 2017

	Share capital EUR '000	Treasury shares EUR '000	Reserves EUR '000	Accumulated other operating income		Equity attributable to shareholders of CGM AG EUR '000	Non- controlling interest EUR '000	Consolidated equity EUR '000
				Cashflow hedges EUR '000	Currency conversion EUR '000			
Balance as at 31.12.2015	53,219	-20,292	181,628	0	-22,264	192,291	319	192,610
Group net income	0	0	44,530	0	0	44,530	-60	44,470
Other results								
Changes in the fair value of cashflow hedges	0	0	0	0	0	0	0	0
Reversal of cashflow hedges	0	0	0	0	0	0	0	0
Actuarial gains and losses	0	0	-115	0	0	-115	0	-115
Currency conversion differences	0	0	0	0	-1,473	-1,473	0	-1,473
Total result of the period	0	0	44,415	0	-1,473	42,942	-60	42,882
Transactions with shareholders								
Capital contributions	0	0	0	0	0	0	0	0
Dividend payment	0	0	-17,403	0	0	-17,403	-39	-17,442
Non-controlling interests from acquisitions	0	0	0	0	0	0	603	603
Additional purchase of shares from non-controlling interests after control	0	0	0	0	0	0	0	0
Issue of treasury shares	0	0	0	0	0	0	0	0
	0	0	-17,403	0	0	-17,403	564	-16,839
Other changes (Previous year: Changes in scope of consolidation)	0	0	0	0	0	0	0	0
Balance as at 31.12.2016	53,219	-20,292	208,640	0	-23,737	217,830	823	218,653
Group net income	0	0	31,250	0	0	31,250	432	31,682
Other results								
Changes in the fair value of cashflow hedges	0	0	0	0	0	0	0	0
Reversal of cashflow hedges	0	0	0	0	0	0	0	0
Actuarial gains and losses	0	0	-36	0	0	-36	0	-36
Currency conversion differences	0	0	0	0	3,500	3,500	0	3,500
Total result of the period	0	0	31,214	0	3,500	34,714	432	35,146
Transactions with shareholders								
Capital contributions	0	0	0	0	0	0	0	0
Dividend payment	0	0	-17,403	0	0	-17,403	-25	-17,428
Non-controlling interests from acquisitions	0	0	0	0	0	0	87	87
Additional purchase of shares from non-controlling interests after control	0	0	-972	0	0	-972	570	-402
Issue of treasury shares	0	0	0	0	0	0	0	0
	0	0	-18,375	0	0	-18,375	632	-17,743
Other changes (Previous year: Changes in scope of consolidation)	0	0	5	0	0	5	-1	4
Balance as at 31.12.2017	53,219	-20,292	221,484	0	-20,237	234,174	1,886	236,060

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

Cash Flow Statement for the reporting period 2017

	Notes*	2017 EUR '000	2016 EUR '000
Group net income		31,682	44,470
Amortization of intangible assets, plant and equipment	(63)	38,375	43,823
Earnings on sales of fixed assets	(59)	-277	-680
Change in provisions (including income tax liabilities)		3,663	-16,702
Change in deferred taxes	(43)	-1,113	-568
Other non-cash earnings/expenditures		17,593	-1,525
		89,923	68,818
Change in inventories	(44)	-6,999	1,423
Change in trade receivables	(45)	1,550	-6,340
Change in income tax receivables		-2,552	656
Change in other assets		2,691	3,054
Change in trade payables		11,926	3,355
Change in other liabilities		-10,654	-3,353
Cash flow from operating activities – continued operations		85,885	67,613
Cash flow from operating activities – discontinued operations		-62	0
Cash flow from operating activities		85,823	67,613
Cash inflow from disposals of intangible assets		88	102
Cash outflow for capital expenditure in intangible assets		-22,887	-16,501
Cash inflow from disposals of sales of property, plant and equipment		587	1,466
Cash outflow for capital expenditure in property, plant and equipment		-18,673	-23,112
Net-Cash outflow for company acquisitions (less acquired cash and cash equivalents) (11)		-7,709	-6,732
Cash outflow for acquisitions in prior periods	(53)	-2,523	-1,855
Cash inflow from changes of subsidiaries and business units		500	0
Cash outflow for capital expenditures in joint ventures		-5,490	-2,755
Cash flow from investing activities – continued operations		-56,107	-49,387
Cash flow from investing activities – discontinued operations		1,160	0
Cash flow from investing activities		-54,947	-49,387
Dividends paid	(50)	-17,403	-17,403
Capital contributions from Non-controlling interests	(50)	-25	-39
Purchase of minority interest	(50)	-402	0
Cash outflow from the repayment of liabilities from finance lease**		-3,566	-3,565
Cash inflow from assumption of loans	(52)	85,021	70,140
Cash outflow from the repayment of loans	(52)	-91,607	-64,833
Cash flow from financing activities – continued operations		-27,982	-15,700
Cash flow from financing activities – discontinued operations		0	0
Cash flow from financing activities		-27,982	-15,700
Cash and cash equivalents at the beginning of the period	(48)	27,756	25,057
Change in cash and cash equivalents		2,892	2,526
Change in cash and cash equivalents due to exchange rate fluctuations		-286	173
Cash and cash equivalents at the end of the period	(48)	30,362	27,756
Interest paid		8,414	11,068
Interest received		900	1,210
Income tax paid		27,598	31,365

* Note refers to the corresponding text number in the chapter 'E. Explanation of items on the statement of financial position and income statement.'

** Compared to the previous year, cash outflow from the repayment of liabilities from financial lease are disclosed separately and no longer in cash outflow from repayment of loans or in change in other liabilities.

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

A. General disclosures

1. Company information

CompuGroup Medical SE (in the following "Company" or "CGM") is an European Company (Societas Europea, SE) registered in Germany in the Commercial Register of the Koblenz Municipal Court under HRB No. 24981.

CompuGroup Medical SE is the ultimate parent company of the Group. The place of business of the Company is Maria Trost 21, 56070 Koblenz Germany. The purpose of the Company and its core business activities can be described as follows:

After the amendments to the segment reporting, CGM is divided into four business segments

- Ambulatory Information Systems (AIS),
- Pharmacy Information Systems (PCS)
- Hospital Information Systems (HIS) and
- Health Connectivity Services (HCS).

These segments are the basis for the Company's segment reporting. The range of services of these three business segments can be illustrated as follows:

- AIS: Development and sale of practice software solutions as well as the supply of services for physicians and dentists and laboratories. Furthermore, internet providing services are offered for physicians and other participants in the health sector
- PCS: Development and sale of software solutions as well as the supply of services for pharmacies.
- HIS: Development and sale of clinical software solutions as well as the supply of services.
- HCS: Connecting service providers (physicians, dentists, hospitals, and pharmacies) with other important market participants in the healthcare sector, such as health and care insurance providers, pharmaceutical companies and research institutes. In addition, internet provider services are offered to physicians and other participants in the healthcare sector.

2. Reporting principles and fundamental principles

The consolidated financial statement encloses the financial statements of CompuGroup Medical SE and its subsidiaries (also referred to in the following as "CGM Group"). As in the prior year, the consolidated financial statements of CGM Group as of 31 December 2017 has been prepared in accordance with Section 315e Handelsgesetzbuch (HGB – German Commercial Code) and in compliance with the International Financial Reporting Standards (IFRS).

For the financial year 2017 the International Financial Reporting Standards (IFRS) – previously International Accounting Standards (IAS) – and the interpretations of the International Financial Interpretations Committee (IFRSIC) – previously the Standing Interpretations Committee (SIC) – as applicable in the EU have been applied as amended. The application of the individual standards is described in the explanatory notes sections to the consolidated financial statement.

In addition, the supplementary under commercial law according to Section 315e HGB has been applied.

The consolidated financial statement for 2017 has been prepared by the Management Board of CGM and will be reviewed by the audit committee on 16 March 2018. It is expected that the consolidated financial statement will be reviewed, approved and released for publication by the Supervisory Board at its meeting on 16 March 2018.

Unless otherwise stated, the consolidated financial statement is presented in thousands of Euro (EUR '000). Smaller deviations in absolute figures and in the calculation of percentage rates may occur due to rounding differences.

The income statement as well as the consolidated statement of the comprehensive Income and the consolidated statement of financial position for CGM Group are in accordance with requirements of IAS 1, whereupon the income statement is being prepared according to the nature of expense method.

All subsidiaries of CGM are instructed to use the same accounting and measurement principles by applying the Group accounting policy.

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

The estimates and assumptions applied to prepare the consolidated financial statement according IFRS have effects on the valuation of assets (goodwill; deferred tax assets) and debts (accruals; purchase price liabilities), the disclosure of contingent assets and liabilities at the respective balance sheet dates as well as the amount of income and expenses for the reporting period. Although these assumptions and estimates have been made to the Management Board's best estimate, the actual results can differ from such estimations and assumptions.

B. Principle accounting and measurement methods

3. Principles for the preparation of the consolidated financial statements

The consolidated financial statement of CGM was prepared on the basis of historical cost. This principle does not apply to certain financial instruments that are measured at balance sheet date with their revaluation amount or at fair value. Details are provided in the explanatory notes to the respective accounting and measurement methods.

In general, historical costs are based on the fair value of the consideration, which has been provided in exchange for the respective asset.

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

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

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

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 in total, the fair value is assigned to level 1, 2 or 3. The assignment of the fair value to those levels takes place in accordance with the following criteria:

- Level 1 parameters are quoted prices in active markets for identical assets or liabilities. CGM uses these quoted prices, where available and without any adjustment, to determine the fair value.
- Level 2 parameters: Here, the market value of assets and liabilities is calculated on the basis of parameters for which either directly or indirectly quoted prices are also made available to an active market.
- Level 3 parameters are unobservable input parameters which have to be developed to simulate the assumptions of market participants who would apply this when determining an appropriate price for the asset/liability.

4. New and revised standards, interpretations and amendments to published standards applied for the first time in 2017

The applied methods of accounting and valuation correspond basically to those used in the previous financial year. For new applicable IFRS standards which have been first time adopted on 1 January 2017, the effects on CGM’s accounting and valuation methods are outlined below:

Standard (Issue date)	Subject matter	Effective for financial years beginning on or after (EU)
Amendments to IAS 12 (19 January 2016)	Clarification of the recognition of deferred tax assets on unrealised losses on assets available for sale.	1 January 2017
Amendments to IAS 7 (29 January 2016)	The release requires the information, which enables users of financial statements to evaluate changes in liabilities arising from financial activities.	1 January 2017

a) Amendments to IAS 12 Income Taxes – Recognition of Deferred Tax Assets for Unrealized Losses

On 16 January 2016, the IASB published adjustments to IAS 12 Income Taxes – Recognition of Deferred Tax Assets for Unrealized Losses. The amendment to IAS 12 clarifies, that unrealized losses on debt instruments measured at fair value, give rise to deductible temporarily differences. Furthermore, these amendments clarify, that for generally all deductible temporarily differences together, it has to be evaluated, if the projected expected taxable income will be generated in the future in order to be able to use it for calculation. IAS 12 is supplemented by rules and examples, which clarify how to determine the future taxable income for the recognition of deferred tax assets. The clarifications had no impact on the consolidated financial statements.

b) Amendments to IAS 7 Statement of Cash Flows

On 29 January 2016, the IASB published adjustments to IAS 7 Statement of Cash Flow calculations. The following changes in debts resulting from financing activities shall be stated in the future: changes in cash flows from financing activities, changes as a result of obtaining or loss of the control over subsidiaries or other companies, impacts on changes in exchange rates, changes in fair values as well as other changes. The information resulting from these changes are illustrated in form of offsetting and reconciliation outside if the statement of cash flows, as proposed by the IASB. In this respect, reference is made to the text number 68 in the chapter ‘Notes on the cash flow statement and cash equivalents’.

5. Standards, interpretations and changes to published standards to be applied in 2017 or later, which are already adopted in the European legislation ("Endorsement")

Standard (Issue date)	Subject matter	Effective for financial years beginning on or after (EU)
IFRS 15 (28 May 2014) including amendments to IFRS 15: Effective date of IFRS 15 (11 September 2015)	The new standard establishes uniform requirements regarding the amount, time and time period of revenue recognition. The standard will in future replace the existing requirements governing revenue recognition under IAS 18 Revenue and IAS 11 Construction Contracts.	1 January 2018
IFRS 9 (24 July 2014)	IFRS 9 contains requirements governing the recognition and measurement of financial instruments, derecognition and hedge accounting. The final version of IFRS 9 replaces all previously versions.	1 January 2018
IFRS 16 (13 January 2016)	The core requirement of IFRS 16 is to recognized generally all leasing arrangements as well as the associated contractual rights and obligations in the balance sheet of the lessee. The previous differentiation between finance lease and operating lease applied under IAS17, is therewith not applicable anymore for the lessee.	1 January 2019
Classification to IFRS 15 (12 April 2016)	Explanations are aimed at a transitional relief for modified as well as closed.	1 January 2018
Amendment to IFRS 4 (12 September 2016)	Changes are based on the common application of IFRS 9 with IFRS 4. This does not include a complete amendment to the financial accounting but a transitional arrangement: insurers have the opportunity of a provisional postponement for the application of IFRS 9 (Deferral approach). Furthermore, several expenses and revenues developing from qualified assets can be reclassified from the P&L to the other comprehensive income (Overlay approach).	1 January 2018
Annual Improvements to IFRS (2014-2016 Cycle) (8 December 2016)	The annual improvement process affects following standards: IFRS 1, IFRS 12, IAS 28.	1 January 2018/ 1 January 2017

a) IFRS 15 Revenue from Contracts with Customers

In May 2014, the IASB and US standard setter FASB published the jointly developed standards on revenue recognition. IFRS 15 includes the principles, pursuant companies have to provide relevant information regarding the type, the amount, the date and uncertainty factor of revenues, and cash flows from a contract with a customer to the users of the financial statements.

The regulatory requirements as set in IFRS 15 have to be applied uniformly for various transactions and across all industries, while thereby enhancing the global comparability of entities' revenue disclosures (top line of financial statements). IFRS 15 is generally to be applied to all contracts with customers except for:

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

IFRS 15 "Revenue from Contracts with Customers" will replace the current standards and interpretations related to revenue recognition (IAS 11 "Construction Contracts", IAS 18 "Revenue" as well as IFRIC 13 "Customer Loyalty Programs", IFRIC 15 "Agreements for the Construction of Real Estate", IFRIC 18 "Transfers of Assets from Customers" and SIC-31 "Revenue – Barter Transactions Involving Advertising Services"). Contrary to the current applicable standards and interpretations, IFRS 15 is based on a single, rule based five-step model, which has to be applied to all relevant contracts with customers.

The core principle of IFRS 15 consists therein, that an entity has to recognize revenue in the same amount as the entity will be entitled for consideration in exchange for the transfer of goods or services to ultimately present the contractually agreed transfer of goods and services (performance obligations) to customers appropriate.

Five steps derivate from the IFRS 15 corresponding standardized principles.

Consolidated Notes for the 2017 Financial Year *continued*

Step 1 is to determine whether a contract with a customer falls within the scope of IFRS 15, which is the case if all of the following conditions of IFRS 15,9 are met accumulated:

- (a) The contract has been approved by the contractual parties,
- (b) all contractual obligations belonging to the goods to be transferred or the services to be rendered can be clearly identified,
- (c) the payment terms for the good to be transferred and services to be rendered can be clearly identified,
- (d) the contract has commercial substance, and
- (e) it is probable that the consideration to which the entity is entitled to in exchange for the goods or services will be collected. By assessing the probability, the customer's ability and intention to pay when the invoice is due has to be exclusively taken into account. In case of a variable consideration, the consideration can also be lower than the contractual terms and conditions (e.g. price), since discounts can be granted.

Two or more contracts, that were entered into at, or near, the same time with the same customer requires to combine the contracts and to treat them for accounting purposes as one single contract if at least one of the following criteria is met:

- (a) the contracts are negotiated as a package with a single commercial objective;
- (b) the amount of the consideration to be paid for a contract is dependent on the price or the fulfillment of the other contract; or
- (c) the goods or services on which has been agreed in the contracts are classified as single performance obligation in accordance with IFRS 15.22-30.

IFRS 15 extensively provides guidance on contract modifications which has to be considered as separate contracts or not, depending on their arrangement (such as an increase in the range of services) or the distinctness of the services to be rendered now or in the future.

Step 2 is the identification of the performance obligations in the contract, as revenues has to be recognized at the level of individual performance obligations. Goods or services are separately identifiable and therefore classified as individual performance obligation if the customer will obtain the benefit from the transferred goods or services – regardless of any other contractually agreed performance obligations. It has to be clearly understood that such given performance obligations have to be separately identifiable from each other.

Step 3 is the identification of the transaction price; which is the expected amount an entity is entitled to be paid from the customer in exchange for the transfer of goods and services. Although this price will often be a fixed amount, the transaction price can also include variable components, such as discounts, credits, performance bonuses or penalties, etc. The amount of the variable consideration is to be estimated and included in the transaction price. The accompanying inherent uncertainty in transactions with variable prices has to be considered to such extent that is highly probable that the omission of uncertainties will not lead to any significant change in the revenues recognized. The transaction price also includes possible financial components or non-monetary services (measured at fair value).

In step 4 the previously determined transaction price will be allocated to the individual performance obligation on the basis of their relative standalone selling prices. If a standalone selling price is not directly observable (such as from corresponding transactions with the similar individual performance obligations), the entity has to estimate the prices; whereby IFRS 15 offers various methods.

Finally, in step 5 the revenue has to be recognized according to the fulfillment of the underlying performance obligation over a period of time or at a point in time. The performance obligation is satisfied, in the moment when the control over the goods or service has been completely transferred to the customer. Control over an asset is given if the economic benefits can be obtained and the decision power about the usage of the asset is transferred.

When concluding a contract pursuant to IFRS 15, it generally has to be determined whether the revenue resulting from the contract is to be recognized at a point in time or over a period of time. Therefore, it has first to be clarified by applying specific criteria, if the control of the individual performance obligations is transferred over a period of time. If this is not the case, the revenue has to be recognized at the point in time when control is transferred to the customer. Indicators for the transfer of control are for example the legal transfer of ownership, the transfer of all substantial risks and rewards, or official acceptance.

However, if control is transferred over a longer period of time, revenue can only be recognized over time in the event that the percentage of completion can be determined reliably by using input or output methods. In addition to the general revenue recognition principles, the standard also includes detailed guidance on topics such as, transactions on sale or return basis, customer options on the purchase of additional goods or services, principal-agent relationships, as well as bill-and-hold arrangements. IFRS 15 also includes new guidelines related to costs to obtain or fulfill a contract with a customer as well as for the question at which point in time these costs have to be recognized. Costs which do not fulfill the specified criteria have to be expensed when incurred.

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

- all contracts with customers,
- significant discretionary decisions, and their changes, which were made when applying the guidelines for those contracts, and
- any assets recognized from the costs to obtain or fulfill a contract with a customer.

The standard has to be applied to financial years beginning on or after 1 January 2018. Earlier application is permitted.

CGM will apply IFRS 15 "Revenue from Contracts with Customers" for the first time in the financial year 2018. According to IFRS 15 the following new regulated or clarified topics will have an effect on the net assets and earnings of the CGM:

- recognition of revenues on a period of time basis
- separation of performance relationships
- bundling of contracts
- contracts on sale or return basis
- approach and assessment of costs for contracts

Especially in contracts where according to IFRS 15.53c the construction of a customer specific asset without any alternative use is the basis for the revenue recognition over a period of time, CGM expects changes on the revenue recognition for the group.

Additionally, amendments of the financial statement of the CGM could arise out of transactions in which software solutions will be sold with a guarantee (thus license sale and a maintenance agreement). The balancing of these transactions has to depend on whether

- the customer has the option to acquire the guarantee standalone
- the guarantee is part of a bundle of services and
- if this is the case, the guarantee only ensures that the software meets the agreed requirements.

In addition, organizational adjustments in the areas "Internal supervision" and "IT-architecture" will considerably be necessary.

The analyzes and fact assessments concerning revenue generating transactions in the CGM Group are not yet fully completed. Nevertheless, the by far biggest effect can be easily determined. The fundamental difference in the CGM Group consist in different treatment of the revenues from the sale of licenses. According to IAS 18, these have been immediately recognized by their full amount after the issuance of the license. After analysing IFRS 15, the license is being distributed over the minimum duration of the maintenance contract. The corresponding revenue from the license is recognized on a straight-line basis ("right to access method"), thus usually over 1-2 years (5 years in the pharmaceutical sector). The effect for the fiscal year 2017 would be EUR 20 million lower.

b) IFRS 9 Financial Instruments

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

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

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

In situations, where both conditions are fulfilled a debt capital instrument has to be measured as a FVOCI – subject to the application of the fair value option on time of contribution. However, this is only provided for cases in which an accounting mismatch can be prevented or reduced.

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

The irrevocable option of applying a FVOCI option exists for equity instruments that are recognized at fair value through profit and loss as they do not meet the cash flow criteria due to the absence of contractual payment claims. However, it is required that these equity instruments are not held for trading purposes. The amounts recognized in other comprehensive income are not reclassified (recycled) to the income statement.

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

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

Consolidated Notes for the 2017 Financial Year *continued*

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

The new regulations will cover the following:

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

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

Level 1 provides for all financial instruments to be categorized on addition; no impairment discount will be taken into account for these on initial recognition. These instruments will remain at level 1 until such time as their credit quality does not deteriorate and the instruments continue to feature a low default risk.

Expected losses have to be recognized immediately in the income statement at the present value of an expected 12-month loss starting from the respective balance sheet date through an allowance account. Interest is recognized on the basis of the gross book value. The effective interest method is therefore applied before the risk provisions are taken into account. Financial instruments with a default risk right from the start, are discounted on first time approach using a credit risk adjusted effective interest rate, also a corresponding impairment discount is taken into account. These financial instruments are subsequently measured using the same credit risk adjusted effective interest rate as long as their credit quality does not deteriorate significantly.

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

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

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

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

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

The new IFRS 9 Financial Instruments have to be applied for the first time to financial years starting on or after 1 January 2018.

The reclassification of financial instruments, in particular the financial assets, will not have any material effects on the consolidated financial statement.

In the future the valuation allowance process will be significantly influenced by the customer's creditworthiness. In this context, fluctuations will be directly reflected in the result. The conversion of the valuation allowance from the incurred loss model to the expected loss model will lead to a one-time effect. However, the management of CGM Group expects additional valuation adjustments of EUR 1 million on the entire receivables portfolio, incl. POC and finance lease receivables, which will be included negatively in the reserves.

IFRS 9 – Financial Instruments: Hedge Accounting

In July 2014, the IASB amended IFRS 9 "Financial Instruments" by adding a chapter with hedge accounting rules, which will in the future replace the corresponding section of IAS 39. The changes to the hedge accounting rules comprise in particular, application and effectivity conditions, permitted underlying transactions as well as accounting, presentation and notes disclosures.

– Application and effectivity conditions

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

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

– Permitted underlying transactions

One of the basic new regulations resulting from the new accounting standard IFRS 9 are related to the actual existing differentiation between financial (loans or securities, etc.) and non-financial underlying transactions (such as commodities, etc.). In future, it will be possible to hedge individual risk components of non-financial underlying transactions, if those risk components are separately identifiable and reliably measurable (such as the risk of oil price fluctuations within the risk of fuel price fluctuations).

– Accounting, presentation and notes disclosures

According to IAS 39, the change in the fair value of an option ("time value") based on fair value fluctuations was recognized in profit and loss, which could lead to high volatility.

According to IFRS 9, an option will be treated similar to an insurance contract. As a result, the original fair value of an option (e.g. paid premium of an at or out-of-the-money option) is to be either recognized over the duration of a hedge with a time reference (e.g. fair value hedge for inventories over six months) or, if the hedged transaction has to be recognized in the income statement, through profit or loss. Changes in the fair value of the option in conjunction with the fair value itself have to be recognized in other comprehensive income (OCI).

Furthermore, new notes disclosures requirements from the introduction of the IFRS 9.

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

Not included in the published amendment to IFRS 9 are rules and regulations related to macro hedge accounting. Therefore, the IASB has initiated a separate project to avoid any further delays.

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

The management board of CGM Group does not expect any effects from the regulations related to hedge accounting according to IFRS 9 on the consolidated financial statements, since as of today no transactions fulfilling the hedge accounting criteria are existing.

Consolidated Notes for the 2017 Financial Year *continued*

c) IFRS 16 Leases

On 13 January 2016, the International Accounting Standards Board (IASB) published the IFRS 16 accounting standards. The core idea of the new standard is to record all leases and the associated rights and obligations in the balance sheet of the lessee. As a result, the differentiation between finance and operating leases, which is actually required under IAS 17, is no longer to be applied from the lessee.

In principle, the lessee has to record for all leases a corresponding leasing liability in the balance sheet reflecting the obligation to perform leasing payments in the future. At the same time, the lessee capitalizes a right of use in the underlying asset, which basically corresponds to the present value of the future lease payments plus directly attributable costs. The balance sheet of the lessee will therefore contain in the future more assets and liabilities, which can have a significant impact on financial ratios and credit terms and conditions. The new regulations will allow analysts to make better comparisons between companies that acquire assets and those who lease them.

For the duration of the leasing contract, the leasing liability will be perpetuated by applying appropriate financial mathematics methods, similar to the actual regulations for finance leases according to IAS 17, while the capitalized right of use will be regularly amortized. This generally results in higher expenses at the beginning of the lease and a shift from operating expenses to financial expenses.

Short-term leases with duration of less than one year and immaterial leases are excluded from the general accounting obligation for leases according IFRS 16.

For the lessor, the regulations resulting from the new accounting standard are, however, similar to the current accounting standard IAS 17. Leasing contracts have still to be classified in finance or operating leases. Leases where substantially all risks and rewards from the legal ownership are have been transferred are classified as finance leases, while all other leases are classified as operating leases. The identification criteria of the current IAS 17 have been adopted for IFRS 16.

Furthermore, IFRS 16 contains a number of regulations regarding notes disclosures and sale and leaseback transactions.

IFRS 16 replaces IAS 17 as well as all related interpretations and has to be applied for the first time for financial years beginning on or after 1 January 2019.

By applying IFRS 16 for the first time, CGM expects significant changes to financial ratios. For example, CGM assumes that debt and interest charges will increase while the equity ratio will decrease. At the same time, the EBITDA of CGM Group is expected to be positively impacted, as the lease payments to be paid are no longer shown in the operating expenses. CGM also expects that the first-time application of IFRS 16 will lead to high implementation efforts, since all existing leases are to be subject to a review and a revaluation, which applies in particular to contracts that have been so far classified as operating leases – thus have been concluded off balance. There has been no quantitative analysis made yet.

d) Clarification to IFRS 15 Revenue from contracts with customers

On 12 April 2016, the IASB has published amendments for the clarification to IFRS 15 Revenue from contracts with customers. The amendments to IFRS 15 includes a clarification of identifying performance obligations of companies. The identification takes place by means of discretely definable commitments of goods or services. In addition, further examples are recorded to explain the independence of performance obligations.

There are also clarifications to the principal-versus-agent considerations. The new regulations determine if a company acts like an agent or principal when delivering goods or supplying services to third parties. The evaluation to act either as a principal or as an agent depends on the possibility to control the goods/services before supplying them to customers. Furthermore, there is an extension of the present application guidance and a change or extension of the existing examples.

Furthermore, open points related to licensing will be clarified. If a license, which is discretely definable from goods/services, is granted, depends on a contractual arrangement, if a time-related or time-based revenue recognition takes place ("right to use" and "right to access" method). Additionally, further guidelines to IFRS 15 have been developed, which shall classify in which time an intangible asset is changed significantly.

In Addition, the introduction of two optional facilities for the first application has been granted: Contracts shall not be newly represented retrospectively, if they have been change before the beginning of the earliest stated period. A company does not need to evaluate contracts newly if they have been concluded at the beginning of the earliest stated period (only optional fully application of IFRS 15).

The clarification to IFRS 15 as well as the IFRS 15 itself for the financial years beginning from 1 January 2018 must be applied. These regulations have been considered already by CGM when analyzing the effects of IFRS 15.

e) Amendments to IFRS 4 Insurance Contracts

Due to different effective dates of IFRS 9 and IFRS 17, possible scenarios of accounting mismatches and volatilities in the profit and loss statements of companies, that offer insurance contracts in the scope of IFRS 4, were expected. On 12 September 2016, the IASB issued amendments to IFRS 4 to address the interaction with IFRS 9 (Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts). To ease the transition period, companies can choose between two options.

The first option enables to remove from profit or loss the effects of some of the accounting mismatches for designated financial assets that may occur due to prior application of IAS 39 and first time adoption of IFRS 9 (overlay approach).

The second option enables the possibility to temporarily defer the first time application of IFRS 9. IAS 39 would be in this case binding instead of IFRS 9 for all reporting periods starting before 1 January 2021. This exemption will only be available to entities which have not previously applied any version of IFRS 9 and whose activities are predominantly connected with insurance (deferral approach).

The application of both options is voluntary and companies are free to abandon its application even before the new standard for insurance contracts is issued.

These regulations will have no effect on the CGM Group.

f) Improvements to the International Financial Reporting Standards (Improvements Project 2014-2016)

In the context of the annual improvements project 2014-2016, the IASB issued on 8 December 2016 amendments, which affect generally three standards.

IFRS 1: The short-term exemptions in paragraph E3-E7 of IFRS 1 have been deleted (among others, regarding the disclosure of the transfer of financial instruments), because the affected financial years has expired.

IFRS 12: The disclosure requirements in the standard, except for those in paragraphs B10–B16, apply to an entity's interests listed in paragraph 5 that are classified as held for sale, as held for distribution or as discontinued operations in accordance with IFRS 5.

IAS 28: IAS 28.18 is affected to clarify that the choice to measure an investment at fair value through profit or loss (IFRS9/IAS39) is available for each investment in an associate or joint venture in terms of IFRS 11, which is held directly or indirectly by an entity that is a venture capital organization, or other qualifying entity, on an investment-by-investment basis, upon initial recognition and as exception to the equity method.

The amendments to IFRS 1 and IAS 28 are effective for annual periods beginning on or after 1 January 2018, the amendment to IFRS 12 for annual periods beginning on or after 1 January 2017. An earlier adoption is voluntary.

The Management of CGM Group does not expect any significant changes to the consolidated financial statements of CGM Group caused by the application of the improvements, since there are no changes to the affected issues for the CGM Group available. However, it cannot be excluded that this valuation may change within the scope of the future business development.

Consolidated Notes for the 2017 Financial Year *continued***6. Amendments, standards and interpretations published by the IASB but not yet transposed into European legislation**

In the financial years 2014 and 2017 the IASB has adopted several additional standards and interpretations which are not yet mandatory applicable in the financial year 2017. The application of these IFRS and IFRIC is dependent from the EU-endorsement.

Standard (Issue date)	Subject matter	Effective for financial years beginning on or
IFRS 17 (18 May 2017)	This standard makes a consistent international accounting standard for insurance businesses available. The objective is to raise transparency and comparability of insurance accountings.	1 January 2021
IFRIC 22 (8 December 2016)	The interpretation covers transactions in foreign currency, if a company records a non-monetary asset or liability, which arises of a payment in advance or a in advanced received consideration, before the company recognizes the asset, revenue or expense.	1 January 2018
IFRIC 23 (7 June 2017)	IFRIC 23 clarifies the financial accounting of uncertainty of income taxes. The interpretation applies for the taxable earnings (tax losses), taxables bases, not yet utilized tax losses, not yet utilized tax credits and tax rates, if there is an uncertainty regarding income tax handling as per IAS 12.	1 January 2019
Amendments to IFRS 2 (20 June 2016)	Clarification for the consideration of vesting conditions (service conditions, market conditions and market-independent performance conditions) in the scope of the assessment for cash settled share-based payments. Classification of shared-based payments, which provide a net settlement. The accounting of a modification in the case it leads to a change in classification of the payment from "as cash settled" to "with settlement through equity".	1 January 2018
Amendments to IAS 40 (8 December 2016)	Clarification for the application of section 57 of IAS 40. The amendments are aimed to strengthen especially the principal of transferring into or out of the portfolio of real estate held as financial investment by bringing out that such a transfer is only possible in case of a change in use.	1 January 2018
Amendments to IFRS 9 (12 October 2017)	The proposed amendments to IFRS 9 apply to a restricted modification of accounting criteria that are relevant for the classification of financial assets. Financial assets with a prepayment feature with negative compensation can be recognized, under certain conditions, by their continued purchase costs or with the fair value under the other comprehensive income instead of being recognized at fair value through profit and loss.	1 January 2019
Amendments to IAS 28 (12 October 2017)	The amendments to IAS 28 clarify that IFRS 9 has to be applied to non-current investments in associates or joint ventures, whose accounting is not carried out according to the equity method.	1 January 2019
Amendments to IFRS 10 and IAS 28 (11 September 2014)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Postponed indefinitely
IFRS 14 (30 January 2014)	Regulatory Deferral Accounts	The European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard.

a) IFRS 17 Insurance Contracts

On 18 May 2017, the IASB published IFRS Insurance Contracts. This standard makes a consistent international accounting standard for insurance businesses available. The objective is to raise transparency and comparability of insurance accounting.

Under the current interim standard IFRS 4, companies are allowed to maintain their accounting method applied to date. However this is stamped by a number of local accounting principles, which makes the financial statements scarcely comparable. IFRS 17 establishes principles for the reporting, measurement and the disclosure of insurance contracts. It aims to provide relevant information that reliably represents contracts. These information form the basis for the recipients of the financial statements to evaluate the effects those insurance contracts have on the net assets, financial conditions, results of operations and cash flows.

IFRS 17 contains principles for the reporting, measurement and the disclosure of insurance contracts. The standard has to be applied to insurance contracts, reinsurance contracts and investment contracts with discretionary participation. For each group of contracts (settlement unit) an amount has to be determined, which is composed (building block approach) of the fulfillment cash flows (risk-adjusted present value of future cash flows) and the contractual service margin (CSM = future, not yet earned profit). The fulfillment cash flows have to be updated in the subsequent valuation based on current assumptions. Similarly, the CSM has to be adjusted in the subsequent valuation to reflect changes in estimates in the future probability, a financing effect as well as the earned profit based on the provision of insurance coverage. For this, the standard contains a general model as well as a variable fee approach for direct insurance policies. Furthermore, the standard includes regulations for the disclosure of earning (revenue) and expenses as well as notes.

IFRS 17 does not manage the accounting for the policy holder. The standard has to be applied firstly for the fiscal years starting on 1 January 2021 or later. With the coming into force of IFRS 17 the previous IFRS 4, which is the present interim standard, is being replaced. For European users, this requires the previous endorsement of IFRS 17 by the EU Commission. However, is currently no expectation when this endorsement is expected to be done.

The management of CGM Group however does not expect IFRS 17 "Insurance Contracts" to have any effects on the consolidated financial statements, since CGM does not act as insurer.

b) IFRIC 22 – Foreign Currency Transactions and Advance Consideration

IFRIC 22 clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. According to IAS 21.21 an entity needs to record a foreign currency transaction, on initial recognition in its functional currency, by applying the spot exchange rate to the foreign currency amount and the foreign currency at the date of the transaction. Prior to the interpretation there was ambiguity regarding which exchange rate to use for revenue recognition in cases where an entity receives prepayments to which the non-monetary item (prepayment asset) can be applied.

According to IFRIC 22 the valuation date for determining the exchange rate which should be used for the related asset, income or expense is the date in which the asset or the liability arising from the advanced payment will be initially recognized.

IFRIC 22 may be applied prospectively or retrospectively for annual periods starting from or after 1 January 2018. An early application is permitted. However, in general, the endorsement to IFRIC 22 by the EU-Commission – which is planned to take place in the first quarter of 2018 – is a prerequisite for the application.

The initial application can be done by affected companies and is to apply as follows:

- retrospectively applying IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors or
- prospectively to all assets, expenses and income in a foreign currency, which are in the scope of the Interpretation, and which are initially recognized on or after the beginning of the reporting period in which the entity first applies the Interpretation or at the beginning of a prior reporting period presented as comparative information in the financial statements.

The Management of CGM group currently evaluates the consequences on the annual financial statement which will arise from the first time adoption of this Interpretation. However, it expects that the application will have no significant effect on the result stated in the consolidated financial statements.

c) IFRIC 23 – Uncertainty over Income Tax Treatment

On 7 June 2017, the International Accounting Standards Board (IASB) published IFRIC 23. In situations in which the tax circumstances are uncertain, the interpretation of IAS 12 shall lead to clarity and common accounting regarding the recognition and assessment of assets and liabilities. The uncertainty whether to apply IAS 12 or IAS 37 for contested tax obligation shall be eliminated. IAS 12 offered in this case a loophole, according to which every tax balance sheet is uncertain until the final assessment.

The interpretation of IFRIC 23, including references for all cases of uncertainty of payable income taxes, contains following regulations:

- An entity is required to use judgment to determine whether each tax treatment should be considered independently or whether some tax treatments should be considered together. The decision should be based on which approach provides better predictions of the resolution of the uncertainty.
- An entity is to assume that a taxation authority with the right to examine any amounts reported to it will examine those amounts and will have full knowledge of all relevant information when doing so.
- An entity has to consider whether it is probable that the relevant authority will accept each tax treatment, or group of tax treatments, that it used or plans to use in its income tax filing. If the entity concludes that it is probable that a particular tax treatment is accepted the entity has to determine the data consistently with the tax treatment included in its income tax filings. If the entity concludes that it is not probable that a particular tax treatment is accepted, the entity has to use the most likely amount or the expected value of the tax treatment. The decision should be based on which method provides better predictions of the resolution of the uncertainty.
- An entity has to reassess its judgments and estimates if facts and circumstances change.

According to IAS 8, IFRIC 23 has to be applied retrospectively. Thereby an exception for a restatement of comparative information is permitted. A complete retrospectively application is permitted if this is possible without the knowledge of future findings.

Consolidated Notes for the 2017 Financial Year *continued*

The interpretation does not provide own disclosure rules and refers at this point to the existing disclosure regulations of IAS 1 and IAS12.

IFRIC 23 is effective for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted, presumes however for the EU a previous endorsement, which is expected for the third quarter of 2018.

The management of CGM Group however does not expect the application of this clarification to have any effects on the consolidated financial statements.

d) Amendment to IFRS 2 Shared-based Payment Transactions

On 20 June 2016, the IASB published amendments to IFRS 2 Shared-based Payment, which clarify the classification and valuation of certain types of shared-based payment transactions.

The amendments cover the following accounting areas:

- Consideration of vesting conditions, such as service conditions, market conditions, and other non-market performance conditions when measuring cash-settled share-based payment transactions: According to the amendments market and non-vesting conditions are taken into account when estimating the fair value of the cash-settled share-based payment granted. Service conditions and non-market performance conditions, on the other hand, are taken into account by adjusting the number of awards included in the measurement of the liability arising.
- Classification of share-based payment transactions which include a net settlement for taxes to be withheld: If the terms of the shared-based payment arrangement require a net settlement, the entity needs to reduce the number of equity instruments that otherwise would have been issued to meet its obligation to withhold a certain amount in order to meet the employee's tax obligation and to transfer the respective amount to the tax authorities on behalf of the employee.
- Modifications to terms and conditions that change classification from cash-settled to equity-settled. (The payment as equity settled compensation is recognized by the fair value at the time of the change as equity increase. A possible difference for the derecognition of the debt is recognized.

The amendments to shared-based payment transactions are effective for changes in compensation which will be granted or changed for financial years starting on or after 1 January 2018. An earlier application is permitted. A retrospective application of the amendments is only possible without the usage of hindsight information. However, in general, the endorsement by the EU-Commission – which is planned to take place in the first quarter of 2018 – is mandatory for the application of the amendments to IFRS 2.

It is expected that the amendments to IFRS 2 will have no effect on the consolidated financial statements of CGM Group.

e) Amendments to IAS 40

On 8 December 2016, the IASB published the amendments to IAS 40 Transfers of Investment Property. The amendments to IAS 40 affect reclassifications between categories of inventories and investment properties. Until now, it was uncertain at which point a property under construction or development that was previously classified as inventory (IAS 2) could be transferred to investment property (IAS 40).

Paragraph 57 of IAS 40 has been amended to state that an entity shall transfer a property to, or from, investment property when, and only when, there is an evidence of a change in use. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The list of evidence in paragraph 57(a)-(d) was therefore re-characterized as a non-exhaustive list of examples to help illustrate the principle.

The amendments are effective for financial periods beginning on or after 1 January 2018. However, in general, the endorsement to IAS 40 by the EU-Commission – which is planned to take place in first quarter of 2018 – is a prerequisite for the application.

The Management of CGM currently evaluates the consequences, which will arise from the first time adoption of this Interpretation. However, it expects that the application will have no significant effects on the results presented in the consolidated financial statements of CGM, as IAS 40 is not applied by the Group.

f) Amendments to IFRS 9

On 12 October 2017, the IASB published an amendment to IFRS 9 Prepayment Features with Negative Compensation.

With these slight amendments to IFRS 9, the IASB aims to clarify or adjust the existing regulations in B4.1.10 and B4.1.11(b). The reason for this is the unclear application of these regulations regarding financial instruments, which include symmetric terms of termination and indemnity clauses. Thereby a compensation could be paid theoretically either from debtor to the creditor or vice versa.

In connection with the categorization/assessment under IFRS 9 an evaluation to amortized costs is permitted if among other things specific requirements for the cash flows of a financial instrument is fulfilled. It is especially required that cash flows comprise essentially interest and redemption payments (so-called SPPI requirements). Thereby interest payments apply especially as compensation for the time value of money.

IFRS 9. B4.1.10 manages currently the special case if these payments are variable regarding the point of time and amount. IFRS 9. B4.1.11 comprises example for this case stating what development of variable payments SPPI is able to fulfill. Thereby the assessment on amortized costs is permitted.

The practical case, in which debt instruments contain an option to (premature) termination is not included in IFRS 9. B4.1.11. When exercising this option, the (premature) payment represents besides the interest and remaining nominal an additional payment for premature termination. Thereby the payment is paid either to the creditor or debtor – thus symmetric. The IASB however considers that even for this case an assessment to amortized cost would be appropriate.

This slight amendment clarifies that such contractual terms comprising a symmetric term of termination and indemnity clause, do not preclude this cash flow criteria – nevertheless the compensation is paid by the debtor or the creditor (and furthermore independently which party has terminated the contract).

In addition, this amendment contains surprisingly two explaining notes (BC4.252 onwards) which do not refer to the actual changes but which shall clarify the application of IFRS 9 for the regulation for the modification of financial liabilities – independently from the above mention case of indemnity clauses.

The amendments are retrospectively effective for financial periods beginning on or after 1 January 2019. Earlier application is permitted, presumes however for the EU a previous endorsement, which is expected for the first quarter of 2018.

The management of CGM Group however does not expect the application of these amendments to have any effects on the consolidated financial statements.

g) Amendments to IAS 28

On 12 December 2017, the IASB published amendments to IAS 28 Long-term Interests in Associates and Joint Ventures.

Investments in associates and joint ventures according to IAS 28, have been taken out the scope of IFRS 9 so far. However, it was not clear if this financial statement has to be applied only for investments in associates and joint ventures which are recognized according the equity method or also for this illustrated with their fair value.

The recognition of a further note 14A in IAS 28 shows that IFRS 9 is applied on non-current investments in associates or joint ventures including impairment provisions. These investments are part of the net investment in the company but are not recognized according to the equity method. Regarding this, a reference in IAS 28,41 to IFRS has been eliminated, as the IASB considered this as unnecessary.

The amendments are effective for financial periods beginning on or after 1 January 2019. An early application is permitted, however presumes an EU endorsement, which is expected for the fiscal year 2018. The amendments have to be applied retrospectively but transitional reliefs are granted.

The management of CGM Group however does not expect the application of these amendments to have any effects on the consolidated financial statements.

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

In September 2014, the IASB published amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates”. The amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates” result from a conflict between the requirements of these accounting standards and clarify that in a transaction involving an associate or joint venture the amount of gain or loss has to be recognized when a transaction between an investor and its associate or joint venture involves assets that constitute a business operation according to IFRS 3. So far, transactions involving an associate or joint venture within the Group do not comprise any business operation pursuant to IFRS 3 “Business Combinations”, but solely individual assets.

The effective date to apply the amendments has been postponed to a to be determined period of time.

Consolidated Notes for the 2017 Financial Year *continued*

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

i) IFRS 14 Regulatory Deferral Accounts

In January 2014, the IASB adopted the interim-standard IFRS 14 "Regulatory Deferral Accounts". The objective of IFRS 14 is to increase the comparability of the financial statements from entities which render price regulated sales transactions. Pricing regulations can lead in economic advantages or disadvantages with expenses in the current financial year, have impacts on demanded prices in future financial years. The national accounting regulations in some countries permit the capitalization/deferral of economic advantages (passivation/deferral of economic disadvantages) or have even a strict legal requirement to apply such an accounting treatment. With some few restrictions, IFRS 14 "Regulatory Deferral Accounts" is permitting entities which are first-time adopter of the International Financial Reporting Standards to continue to account for "regulatory deferral account balances", which those entities have recognized in their financial statements by applying their previously used generally accepted accounting principles. This applies for the first financial statements according to IFRS as well as for the subsequent financial statements. Regulatory deferral accounts or changes to them, have to be shown separately in the financial position and the in the consolidated income statement or the other comprehensive income (OCI).

The application of IFRS 14 is optional, but not required, to be applied. The standard can be applied once the first IFRS financial statement of an entity has been prepared for financial years beginning on or after 1 January 2016. However, an earlier application is permitted. In case an entity decides to apply IFRS 14 in its first time IFRS financial statement the entity has to apply the standard continuous it in its subsequent financial statements. The EU has decided to not initiate the endorsement process for this interim standard and to wait instead for the publication of the final standard.

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

C. Principles of consolidation

7. Date of consolidation

The balance sheet date for the consolidated financial statement is the 31 December, which corresponds to the balance sheet date of the annual financial statements of the ultimate parent company and all its subsidiaries.

8. Consolidated subsidiaries

In the consolidated financial statement of CGM for each financial year the financial statements at 31 December of the ultimate parent company and of the companies that are controlled by this company, also considering structured entities (its subsidiaries) are included.

The entity obtains control, when:

- It can exercise control over the associated companies;
- it is exposed to fluctuating returns, which result from the participation; and
- the amount of the return can be affected because of the position of power.

The entity will re-estimate whether it controls an associated company or not, if some facts or circumstances indicate that one or more of the above mentioned three control criteria have changed.

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

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

A subsidiary will be included in the consolidated financial statements from the point of time the entity obtains control over the subsidiary until the time the control ceases. The financial results of the acquired or sold subsidiaries during the year are recognized in the consolidated income statement in other comprehensive income from the actual date of acquisition until the actual date of disposal.

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

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

The capital consolidation principles applied within CGM are described below:

a) Changes in participation rate of CGM in existing subsidiaries

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

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

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

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

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

Consolidated Notes for the 2017 Financial Year *continued*

b) Acquisition of subsidiaries

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

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

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

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

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

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

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

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

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

If the first-time accounting of a business combination has not yet been completed by the end of a financial year, the preliminary valuations are provided by CGM. In case of subsequent events that deliver new information on the circumstances at the acquisition date, the provisionally recognized amounts will be corrected, or if necessary, additional assets and liabilities will be recognized.

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

c) Goodwill

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

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

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

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

9. Associates and joint ventures

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

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

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

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

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

CGM Group discontinues the use of the equity method from the time at which its investment no longer represents an associate or a joint venture, or the investment is to be classified as held for sale pursuant to IFRS 5. In the event that CGM Group retains an interest in a former associate and this interest is a financial asset within the meaning of IAS 39, this interest is to be measured at fair value upon initial recognition. The difference between the previous carrying amount of the associate or the joint venture at the time of the discontinuation of the equity method and the fair value of a retain portion, include revenue from the disposal of a portion of the interest in an associate or a joint company is to be taken into account when determining capital gains/losses.

Furthermore, CGM Group accounts for all amounts related to these associates or joint ventures in other comprehensive income in the manner that would be required if the associate or joint venture had directly sold the assets or liabilities. This means that CGM Group reclassifies gains or losses, which the associate or joint venture has to date recognized in other comprehensive income and then reclassified in the income statement when the assets or liabilities are sold, from equity to the income statement following the discontinuation of the equity method. In the event of the disposal of an associate or jointly controlled entity, the attributable amount of goodwill is taken into account in determining the deconsolidation.

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

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

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

In CGM Group, six associates and three joint ventures are measured using the equity method. The accounting and measurement methods for associates were changed, if necessary, to guarantee uniform accounting principles throughout the Group.

Consolidated Notes for the 2017 Financial Year *continued*

10. Joint operations

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

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

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

CGM recognizes all assets, liabilities, income and expenses relating to its share of the joint operation in accordance with the IFRS accounting standards applicable to those assets, liabilities, revenues and expenses.

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

If transactions relate to the acquisition of assets by a CGM Group company, then the gains and losses are recognized at the time that these assets are sold to a third party, pro rata to the Group's share in the joint operation.

11. Scope of consolidation

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

a) Changes in scope of consolidation

The following changes have occurred within the scope of consolidation, as compared with the previous year:

Changes in Scope of Consolidation	Germany	Foreign countries	Total
CompuGroup Medical SE and consolidated subsidiaries			
As at 1. January 2017	28	58	86
Additions	3	4	7
Departures/Merger	2	2	4
As at 31. December 2017	29	60	89

The additions in the financial year 2017 result from the acquisitions of K-Line Praxislösungen GmbH, APV Ärztliche Privatverrechnungsstelle GmbH, HABA Computer AG, Barista Software BVBA (Belgium), Advanced Technology Explained NV (ATX, Belgium), Farmages Software S.L. (Spain) and the foundation of Intermedix SA (PTY) LTD (South Africa).

Company acquisitions together with business combinations, which do not affect the scope of consolidation, are presented in the table below. The figures are based on the time of acquisition and their impact on the consolidated financial statement.

The disposals result from CGM Group internal merger of Micromedic GmbH into Turbomed Vertriebs und Service GmbH, Stock Informatik Verwaltungs GmbH into CompuGroup Medical Deutschland AG and Medical EDI Services (PTY) LTD (South Africa) into CompuGroup Medical South Africa (PTY) LTD, South Africa.

A further disposal results from the contribution of Intermedix Italia S.r.l. into Fablab S.r.l., both Italy.

Contribution of Intermedix Italia S.r.l. into Fablab S.r.l., both Italy in return of 25% of the shares

With effect of 1 April 2017 CompuGroup Medical Italia S.p.A. has contributed Intermedix Italia S.r.l. into Fablab S.r.l. and shortly before the contribution of Intermedix, CompuGroup Medical Italia has acquired 50 percent of the shares in Fablab for EUR 1,000 thousand. As a result of the contribution of Intermedix into Fablab, CompuGroup Medical Italia receives further 25 percent of the shares and holds now 75 percent of the shares in Fablab. Due to relevant regulations in the By-laws, CompuGroup Medical Italia is not able to control the company.

The remaining participation is basically to be understood as a participation in the same company. The contribution of Intermedix into Fablab implicitly still retains a participation in Intermedix, but it needs to be referred to the joint venture Fablab, which is recognized according to the at equity method. As a result, there is no transitional consolidation, but a deconsolidation of Intermedix and the acquisition of a new participation in Fablab, which is consolidated according to IAS 28.

The following table provides a breakdown of the result from deconsolidation of Intermedix Italia:

EUR' 000	
Disposals proceed (before transaction costs)	0
Revaluation of 100 percent of the shares in Intermedix Italia	2,021
Outgoing total assets and liabilities Intermedix Italia	-190
Disposal of minority interests in the CGM -Group	-210
Partial difference from currency conversion	0
Non-capitalizable costs (transaction costs, taxes)	0
Gain on disposal	1,621

b) Company acquisitions and disposals

The business combinations made by CGM in 2017 are shown with their values as of the acquisition date and effects on the consolidated financial statements in the following table:

EUR' 000	Total 2017	K-Line Praxislösungen GmbH	Barista Software BVBA	APV/HABA	Farmages	ATX	Other Acquisitions
Purchase date		01.01.2017	15.08.2017	30.09.2017	20.11.2017	16.11.2017	-
Voting rights acquired in %		95%	100%	100%/98%	100%	100%	-
Acquired assets and liabilities assumed recognized at acquisition date							
Non-current assets	7,886	1,638	1,116	325	1,542	2,947	317
Software	1,312	1	583	116	237	375	0
Customer relationships	6,017	1,451	457	157	1,280	2,420	252
Trademark	329	87	67	45	22	108	0
Order backlog	0	0	0	0	0	0	0
Property and buildings	31	31	0	0	0	0	0
Other fixed assets and office equipment	183	53	10	7	4	44	65
Other non-current financial assets	15	14	0	0	0	0	1
Other non-current non-financial assets	0	0	0	0	0	0	0
Deferred tax assets	0	0	0	0	0	0	0
Current assets	3,909	820	54	2,195	116	706	18
Inventories	248	160	0	0	4	65	18
Trade receivables	1,343	318	22	764	27	212	0
Other current financial assets	17	0	0	15	1	0	0
Other current non-financial assets	255	34	4	50	0	167	0
Other assets	67	0	0	67	0	0	0
Cash and cash equivalents	1,978	307	27	1,299	84	261	0
Non-current liabilities	2,352	465	376	95	398	1,019	0
Pensions	0	0	0	0	0	0	0
Liabilities to banks	32	0	0	0	0	32	0
Other provisions	0	0	0	0	0	0	0
Other financial liabilities	0	0	0	0	0	0	0
Other non-financial liabilities	0	0	0	0	0	0	0
Other liabilities	0	0	0	0	0	0	0
Deferred tax	2,320	465	376	95	398	987	0
Current liabilities	2,591	697	124	878	111	768	12

Consolidated Notes for the 2017 Financial Year *continued*

EUR '000	Total 2017	K-Line Praxislösungen GmbH	Barista Software BVBA	APV/HABA	Farmages	ATX	Other Acquisitions
Trade payables	811	184	6	490	0	131	0
Contingent liabilities	0	0	0	0	0	0	0
Liabilities to banks	6	0	0	0	0	6	0
Other provisions	423	144	4	223	0	51	0
Other liabilities	119	97	4	18	0	0	0
Other financial liabilities	233	140	0	12	54	27	0
Other non-financial liabilities	999	133	110	135	57	552	12
Net assets acquired	6,852	1,296	670	1,547	1,150	1,866	323
Purchase price paid in cash	9,687	2,442	539	1,400	664	4,000	641
Liabilities assumed	2,613	0	1,517	0	1,095	0	0
of which contingent consideration	2,613	0	1,517	0	1,095	0	0
Issued equity instruments	0	0	0	0	0	0	0
Total consideration transferred	12,299	2,442	2,057	1,400	1,759	4,000	641
Non-controlling interests	87	65	0	22	0	0	0
Goodwill	5,660	1,212	1,387	0*	609	2,134	318
Acquired cash and cash equivalents	1,978	307	27	1,299	84	261	0
Purchase price paid in cash	9,687	2,442	539	1,400	664	4,000	641
Prepayments on acquisitions	0	0	0	0	0	0	0
Fair value of equity interest in the acquiree held by acquirer immediately before the acquisition date	0	0	0	0	0	0	0
Payments for acquisitions after date of acquisition	2,523	0	0	0	0	0	2,523
Cash outflow for acquisitions (net)	-10,232	-2,135	-513	-101	-580	-3,739	-3,164
Effects of the acquisition on Group result							
Sales revenue following date of acquisition**	3,263	2,824	84	102	53	199	0
Result following date of acquisition**	89	333	-100	-142	24	-26	0
Sales revenue in 2014 (hypothetical date of acquisition 1 January 2014)	6,511	2,824	252	410	636	2,388	0
Result 2014 (hypothetical date of acquisition 1 January 2014)	225	333	-301	215	285	-307	0
Costs attributable to the acquisition	200	192	0	9	0	0	0

* The negative goodwill of EUR 126 thousand was derecognized through profit or loss. For more information, please refer to the explanations for the company acquisition APV/ HABA.

** Values come from the individual financial statements

Acquisition of K-Line Praxislösungen GmbH, Germany

In January 2017 CompuGroup Medical Deutschland AG, a 100 percent subsidiary of CompuGroup Medical SE, acquired 95 percent of the shares in K-Line Praxislösungen GmbH with registered office in Kiel.

K-Line supervises IT-solutions for physicians and medical care centers with the focus on distribution and service for the Ambulatory Information System (AIS), hardware and IT-infrastructure. K-Line is a distribution and service partner of CGM Deutschland AG for the business unit CGM MEDISTAR.

K-Line was initially consolidated on 1 January 2017. The turnover of K-Line for the financial year 2016 amounted to about EUR 3,226 thousand with an EBITDA of EUR 211 thousand. The purchase price for 95 percent of the shares amounted to EUR 2,442 thousand and has been paid out by the full amount at closing date.

The goodwill value of EUR 1,212 thousand results especially from the opportunities offered to the Group due to the expansion of the customer platform in the AIS business segment and the extension of the market reach. The recognized goodwill will not be deducted for tax purposes.

The fair value of the acquired intangible assets, excluding the goodwill, amounts to EUR 1,538 thousand and is related to customer relationships and trademark rights. The receivables associated with the acquisition, which essentially consist of trade receivables, are balanced at fair value, which equals due to the expected lifespan of receivables and best estimated access to contractual fixed cash flows, the adopted book values at acquisition date. Uncollectable receivables were not identified at the time of initial recognition.

Deferred tax liabilities of EUR 465 thousand were applied to the fair value of the acquired intangible assets excluding goodwill. There were no contingent liabilities or contingent claims identified with the initial accounting.

The initial consolidation of the acquisition of K-Line as at 1 January 2017 was made on basis of 95 percent of the shares.

In May 2017 the share transfer of the remaining 5 percent of the shares of the K-Line Praxislösungen GmbH to CompuGroup Medical Deutschland AG was passed by the Extraordinary Shareholders' Meeting. The purchase price amounted to TEUR 280 thousand was recognized as acquisition of shares after control (as an equity transaction) and has also been paid out by the full amount at closing date. CompuGroup Medical Deutschland AG now holds 100 percent of the shares in K-Line.

Acquisition of Barista Software BVBA, Belgium

In August 2017 CompuGroup Medical Belgium BVBA, a 99 percent subsidiary of CompuGroup Medical SE and 1 percent subsidiary of CompuGroup Medical Deutschland AG, acquired 100 percent of the shares in Barista Software BVBA with registered office in Hasselt, Belgium.

Barista Software BVBA disposes the own developed Ambulatory Information System "Daktari" in Belgium and shows a significant growth in customer numbers. The reason for this is, that the software meets the newest technology and also holds the in Belgium required "government label".

Barista was initially consolidated on 1 September 2017. The turnover of Barista amounted to about EUR 145 thousand with an EBITDA of EUR -12 thousand for the fiscal year 2016. The initially agreed fixed purchase price for 100 percent of shares amounted to EUR 600 thousand less a purchase price reduction for non-compliance with a contractually agreed guarantee clause in the amount of EUR 61 thousand and has been paid out by the full amount at closing date.

Furthermore, some contingent consideration in form of earn-out agreements have been made. This includes an additional expected yearly purchase price payment, over a period of five years, which results on basis of fixed defined sales volumes. The contingent considerations can be divided into two components – two thirds are recognized as purchase price liability, while the former shareholders can earn one third of the agreed contingent consideration for providing contractually agreed advisory and service activities for Barista through the term of the earn-out. This component is built up pro rata affecting net income over a period of one year and paid out annually depending on the degree of target achievement.

The amount of the expected payment of the contingent consideration over two thirds of the earn-out agreements recognized as a purchase price liability, amounts to EUR 1,517 thousand.

The preliminary goodwill value of EUR 1,387 thousand results especially from the positive market strategy effects that can be expected from the acquired know-how and workforce. The recognized goodwill will not be deducted for tax purposes.

The preliminary fair value of the acquired intangible assets, excluding the goodwill, amounts to EUR 1,107 thousand and is related to customer relationships, software and trademark rights. The receivables associated with the acquisition, which essentially consist of trade receivables, are balanced at fair value, which equals due to the expected lifespan of receivables and best estimated access to contractual fixed cash flows, the adopted book values at acquisition date. Uncollectable receivables were not identified at the time of initial recognition.

Deferred tax liabilities of EUR 376 thousand were applied to the fair value of the acquired intangible assets excluding goodwill. There were no contingent liabilities or contingent claims identified with the initial accounting.

The initial consolidation of Barista was carried out in preliminary format as at 1 September 2017, due to partly incomplete or not yet fully evaluated information of the acquired customer relationships, software and trademark rights.

Acquisition of APV Ärztliche Privatverrechnungsstelle GmbH/HABA Computer AG

In September 2017 CompuGroup Medical Deutschland AG, a 100 percent subsidiary of CompuGroup Medical SE, acquired 100 percent of the shares in APV Ärztliche Privatverrechnungsstelle GmbH with registered office in Bensheim, which holds 98 percent of the shares in HABA Computer AG with registered office in Hamburg.

HABA develops and distributes industry solutions especially for health insurances, to illustrate a holistically and highly integrative process management. HABA leads in the sectors workflow management systems, dental prosthesis and orthodontia.

Consolidated Notes for the 2017 Financial Year *continued*

APV as well as HABA were initially consolidated on 30 September 2017. The consolidated turnover amounted to about EUR 2,023 thousand with an EBITDA of EUR 427 thousand for the fiscal year 2016. The purchase price for 100 percent of shares in APV amounted to EUR 1,400 thousand and has been paid out by the full amount at closing date.

The preliminary negative goodwill recognized in the income statement amounting to EUR 126 thousand results in particular from the expected negative future outlook for the business prospects of the acquired companies.

The preliminary fair value of the acquired intangible assets, excluding the goodwill, amounts to EUR 316 thousand and is related to customer relationships, software and trademark rights. The receivables associated with the acquisition, which essentially consist of trade receivables, are balanced at fair value, which equals due to the expected lifespan of receivables and best estimated access to contractual fixed cash flows, the adopted book values at acquisition date. Uncollectable receivables were not identified at the time of initial recognition.

Deferred tax liabilities of EUR 95 thousand were applied to the fair value of the acquired intangible assets excluding goodwill. There were no contingent liabilities or contingent claims identified with the initial accounting.

The initial consolidation of APV and HABA was carried out in preliminary format as at 30 September 2017, due to partly incomplete or not yet fully evaluated information of the acquired customer relationships, software and trademark rights.

Acquisition of Farmages Software S.L., Spain

In November 2017 Medigest Consultores S.L., a 100 percent subsidiary of CompuGroup Medical SE, acquired 52 percent of the shares in Farmages Software S.L. with registered office in Ciudad Real (Spain).

Farmages develops and distributes a software solution for pharmacies under the name Infarm Visual. Farmages is the market leader in the Castilla La Mancha region.

Farmages was initially consolidated on 1 December 2017. The turnover amounted to about EUR 537 thousand with an EBITDA of EUR 308 thousand for the fiscal year 2016. The purchase price for 52 percent of shares in Farmages amounted to EUR 944 thousand and has been paid out in the amount of EUR 664 thousand at closing date.

The still contractually outstanding purchase price payments of EUR 280 thousand are recognized at closing date in the current purchase price liabilities with an amount of EUR 140 thousand and – discounted with 0.8 percent – in the non-current purchase price liabilities with an amount of EUR 138 thousand.

In addition, a call option on the acquisition of the remaining 48 percent of the shares in Farmages was agreed, which was recognized in the non-current purchase price liabilities at closing date in the amount of EUR 818 thousand.

The preliminary goodwill value of EUR 609 thousand results in particular, from the expected effects, which will arise for the group due to the expansion of the market reach in Spain and of the sales channels. The recognized goodwill will not be deducted for tax purposes.

The preliminary fair value of the acquired intangible assets, excluding the goodwill, amounts to EUR 1,539 thousand and is related to customer relationships, software and trademark rights. The receivables associated with the acquisition, which essentially consist of trade receivables, are balanced at fair value, which equals due to the expected lifespan of receivables and best estimated access to contractual fixed cash flows, the adopted book values at acquisition date. Uncollectable receivables were not identified at the time of initial recognition.

Deferred tax liabilities of EUR 385 thousand were applied to the fair value of the acquired intangible assets excluding goodwill. There were no contingent liabilities or contingent claims identified with the initial accounting.

The initial consolidation of Farmages was carried out in preliminary format as at 1 December 2017, due to partly incomplete or not yet fully evaluated information of the acquired customer relationships, software and trademark rights.

Acquisition of Advanced Technology Explained NV (ATX), Belgium

In November 2017 CompuGroup Medical Belgium BVBA, a 99 percent subsidiary of CompuGroup Medical SE and 1 percent subsidiary of CompuGroup Medical Deutschland AG, acquired 100 percent of the shares in Advanced Technology Explained NV with registered office in Wetteren, Belgium.

Advanced Technology Explained (ATX) develops a software solution for dentists, orthodontists and periodontists in Belgium under the name DentAdmin. The Belgian market leader is also represented in Luxembourg with DentAdmin.

ATX was initially consolidated on 1 December 2017. The turnover amounted to about EUR 1,757 thousand with an EBITDA of EUR 420 thousand for the fiscal year 2016. The initially agreed fixed purchase price for 100 percent of shares amounted to EUR 4,000 thousand and has been paid out by the full amount at closing date.

In the purchase contract, earn-out agreements were concluded with the existing shareholders, who provide future contractually fixed management services, which are recognized, over a performance period of five years, as expense in the income statement in accordance with IFRS 3 B55 a). The payments are depending on the degree of target achievement and have to be paid annually.

The preliminary goodwill amounting to EUR 2,134 thousand mainly results from positive market strategy effects, which can be expected through the development of new market segments in the field of dentistry as well as from the acquired workforce. The recognized goodwill will not be deducted for tax purposes.

The fair value of the acquired intangible assets, excluding the goodwill, amounts to EUR 2,903 thousand and is related to customer relationships, software and trademark rights. The receivables associated with the acquisition, which essentially consist of trade receivables, are balanced at fair value, which equals due to the expected lifespan of receivables and best estimated access to contractual fixed cash flows, the adopted book values at acquisition date. Uncollectable receivables were not identified at the time of initial recognition.

Deferred tax liabilities of EUR 987 thousand were applied to the fair value of the acquired intangible assets excluding goodwill. There were no contingent liabilities or contingent claims identified with the initial accounting.

The initial consolidation of ATX was carried out in preliminary format as at 1 December 2017, due to partly incomplete or not yet fully evaluated information of the acquired customer relationships, software and trademark rights.

Remaining Additions

The remaining additions include the following business combinations:

Business Combination	Acquisition date	Percentage of voting equity interests acquired	Description of how the acquirer obtained control of the acquiree	Primary reasons for the reasons for the business combination
Zöchling Computersysteme GmbH	1-Apr-2017	n.a.	Asset Deal	Extension of the customer platform in the AIS segment in Germany and expansion of the market reach
Janson & Even	1-Apr-2017	n.a.	Asset Deal	Extension of the customer platform in the AIS segment in Germany and expansion of the market reach
Micromedic GmbH	30-Sep-2016	100	Remaining purchase price payment in 2017 resulting from the acquisition of 100% interest in 2016.	Extension of the customer platform in the AIS segment in Germany and building a strong sales and service structure
KoCo Connector GmbH	12-Dec-2014	100	Payment of the derived purchase price for the call options exercised in November 2014 to acquire the remaining 45 percent of the shares in KoCo Connector GmbH.	Development of the telematics infrastructure for the electronic health card
Puntofarma	30-Jun-2014	n.a.	Asset Deal	Extension of the customer platform in the PCS segment in Italy and expansion of the market share
Vega Informatica S.r.l.	31-Aug-2016	75	Remaining purchase price payment in 2017 resulting from the acquisition of 75% interest in 2016.	Extension of the customer platform in the PCS segment in Italy and expansion of the market share
CGM XDENT Software S.r.l. (vormals Tekne S.r.l.)	1-Aug-2013	90	Payment of the price for the exercise of the "put" option on the acquisition of further 10 percent of the shares, following the acquisition of 80 percent of the shares in 2013	Extension of the customer platform in the AIS segment in Italy and expansion of the market share
Medicitalia S.r.l.	4-Aug-2015	90	Remaining purchase price payment in 2017 resulting from the acquisition of 90% interest in 2015.	Extension of the customer platform in the PCS and AIS segments in Italy and expansion of the market reach
CSI Calabria	10-Oct-2016	n.a.	Asset Deal	Extension of the customer platform in the PCS segment in Italy and expansion of the market share
Compufit	23-Mar-2015	100	Annual payment of the contingent consideration price in the form of an earn-out agreement resulting from the acquisition of 100 percent of the shares in 2015	Extension of the customer platform in the AIS segment in Belgium and expansion of the market share

Consolidated Notes for the 2017 Financial Year *continued*

Acquisition of the assets of Zöchling Computersysteme GmbH, Germany

As a part of a business combination through the transfer of net assets (asset deal) in April 2017, K-Line Praxislösungen GmbH acquired customer contracts of Zöchling Computersysteme GmbH, Germany.

Zöchling Computersysteme GmbH supervises, as a certified CGM MEDISTAR distribution partner, physicians, medical care centers and ambulances with trainings as well as hardware and software in the Hamburg area.

The acquired net assets amounted to EUR 234 thousand. The preliminary goodwill value of EUR 107 thousand results particularly from the expansion of distribution channels and the corresponding upselling opportunities in the AIS business segment. The recognized goodwill will be deducted for tax purposes.

The fair value of the acquired intangible assets, excluding the goodwill, amounts to EUR 163 thousand and is related exclusively to customer relationships. There were no contingent liabilities or contingent claims identified with the initial accounting.

The initial consolidation of Zöchling was carried out in preliminary format as at 1 April 2017, due to partly incomplete or not yet fully evaluated information of the acquired customer relationships.

Acquisition of the assets of Janson & Even Innovationsgesellschaft mbH, Germany

As a part of a business combination through the transfer of net assets (asset deal) in April 2017, Turbomed Vertriebsund Service GmbH acquired the "E-Health" business unit of Janson & Even Innovationsgesellschaft mbH, Germany.

The "E-Health" business unit included the service (hardware and software services plus training and seminars) and the distribution of TurboMed products, as well as the distribution of IT-hardware and other IT-systems and programs to TurboMed customers, trade partners and to other physicians/medical practices.

The preliminary goodwill value of EUR 211 thousand results particularly from the synergies within the Group as a result of the inclusion of Janson & Even in the Group. The recognized goodwill will be deducted for tax purposes.

The fair value of the acquired intangible assets, excluding the goodwill, amounts to EUR 89 thousand and is related exclusively to customer relationships. There were no contingent liabilities or contingent claims identified with the initial accounting.

The initial consolidation of Janson & Even was carried out in preliminary format as at 1 April 2017, due to partly incomplete or not yet fully evaluated information of the acquired customer relationships.

Acquisition of Micromedic GmbH, Germany

In 2016 Turbomed Vertriebsund Service GmbH, a 100 percent subsidiary of CompuGroup Medical SE, acquired 100 percent of the shares in Micromedic GmbH with registered office in Neuss, Germany. The purchase price amounted to EUR 1,900 thousand and has been paid out by an amount of EUR 1,650 thousand on 31 December 2016. The still contractually outstanding purchase price payments of EUR 250 thousand has been paid out in the first half-year 2017.

Acquisition of KoCo Connector GmbH, Germany

In January 2017, CompuGroup Medical SE and the shareholder of the remaining shares of KoCo Connector GmbH, agreed in an out-of-court settlement, on the paid transfer of the remaining shares of KoCo Connector GmbH. The total purchase price, resulting from both, the out-of-court settlement and the recognition of purchase price liabilities under the position current purchase price liabilities as of 31 December 2016, amounted to EUR 1,098 thousand. The total purchase price includes two components, the reseller contract and a fixed purchase price component. The fixed purchase price component has been paid out in the first quarter 2017 with an amount of EUR 783 thousand. The remaining amount of EUR 315 thousand is further recognized under the position current purchase price liabilities.

Acquisition of the assets of Puntofarma, Italy

The still contractually outstanding purchase price of the received assets of Puntofarma, which have been recognized under the position current purchase price liabilities on 31 December 2016 with an amount of EUR 129 thousand, have been completely paid in the first half-year 2017.

Acquisition of CGM XDENT Software S.r.l., Italy (formerly Tekne)

In 2013, CompuGroup Medical Italia SpA, a 100 percent subsidiary of CompuGroup Medical SE, acquired 80 percent of the shares of CGM XDENT Software S.r.l. with registered office in Ragusa, Italy. For the acquisition of the remaining 20 percent of the shares, put and call options has been arranged. The amount of the expected payment amount from the put option for the transfer of the first 10 percent of the remaining shares amounted to EUR 500 thousand. In July 2017, the option has been exercised and the strike price has been paid completely. CompuGroup Medical Italia SpA now holds 90 percent of the shares in CGM XDENT Software S.r.l.

Acquisition of Vega Informatica e Farmacia S.r.l., Italy

In 2016, CompuGroup Medical Italia Holding S.r.l., a 100 percent subsidiary of CompuGroup Medical SE, acquired 75 percent of the shares in Vega Informatica e Farmacia S.r.l. with registered office in Pavia, Italy. The purchase price amounted to EUR 4,125 thousand and has been paid out by an amount of EUR 3,300 thousand on 31 December 2016. The still contractually outstanding purchase price payments of EUR 413 thousand has been paid out in the third quarter 2017.

Acquisition of Medicialia S.r.l., Italy

In August 2015, CompuGroup Medical Italia SpA, a 100 percent subsidiary of CompuGroup Medical SE, acquired 90 percent of the shares in Medicialia S.r.l., Italy. The purchase price amounted to EUR 3,150 thousand and has been paid out already by an amount of EUR 2,835 thousand. The still contractually outstanding purchase price payment of EUR 315 thousand, which was shown as current purchase price liability as at 31 December 2016, has been paid out completely in the financial year 2017.

Acquisition of the assets of CSI Calabria, Italy

The still contractually outstanding purchase price of the acquired assets of CSI Calabria in October 2016, which have been recognized under the position current purchase price liabilities on 31 December 2016 with an amount of EUR 83 thousand, have been completely paid in the second half-year of 2017.

Acquisition of Compufit, Belgium

The contractual earn-out clause with a yearly earn-out of EUR 50 thousand and a duration of four years.

Consolidated Notes for the 2017 Financial Year continued

c) Subsidiaries included in the scope of consolidation

Company name	Registered Office	Equity voting rights in %
Subsidiaries in the region Central Europe (CER)		
1 AESCU DATA Gesellschaft für Datenverarbeitung mbH	1) Winsen	100.0
2 CompuGroup Medical Deutschland AG	Koblenz	100.0
3 CompuGroup Medical Dentalsysteme GmbH	Koblenz	100.0
4 CGM Immobilien Stuttgart GmbH (formerly: CompuGroup Medical Mobile Services GmbH)	6) Stuttgart	100.0
5 CompuGroup Medical Managementgesellschaft mbH	Bochum	100.0
6 ifap Institut für Unternehmensberatung und Wirtschaftsdienste im Gesundheitswesen GmbH	4) Neu-Golm	100.0
7 ifap Service Institut für Ärzte und Apotheker GmbH	Martinsried	100.0
8 Intermedix Deutschland GmbH	5) Koblenz	100.0
9 IS Informatik Systeme Gesellschaft für Informationstechnik mbH	6) Kaiserslautern	60.0
10 LAUER-FISCHER GmbH	Fürth	100.0
11 CGM IT Solutions und Services GmbH (formerly: LAUER-FISCHER ApothekenService GmbH)	3) Koblenz	100.0
12 CGM Clinical Deutschland GmbH (formerly: CGM Systema Deutschland GmbH)	Koblenz	100.0
13 K-Line Praxislösungen GmbH	3) Kiel	100.0
13 Privadis GmbH	3) Cologne	100.0
14 AESCU DATA Gesellschaft für Datenverarbeitung mbH AT	9) Steyr/Austria	100.0
15 Meditec Marketingservices im Gesundheitswesen GmbH	3) Steinhagen	100.0
16 EBM Medienholding GmbH (formerly: Dr. Ralle Medienholding GmbH)	3) Hamburg	100.0
17 eHealth Business Media AG (formerly: änd Ärztenachrichtendienst Verlags-AG)	38) Hamburg	100.0
18 KoCo Connector GmbH	Berlin	100.0
19 CompuGroup Medical Research GmbH	4) Koblenz	100.0
20 CompuGroup Medical Mobile GmbH	4) Koblenz	100.0
21 CGM LAB International GmbH	Koblenz	100.0
22 CGM LAB Deutschland GmbH	27) Koblenz	100.0
23 Turbomed Vertriebs und Service GmbH	3) Trossingen	100.0
24 CGM Mobile Services GmbH (formerly: Turbomed-Center Verwaltungs GmbH)	40) Koblenz	100.0
26 Stock Informatik Verwaltungs GmbH	3) Fröndenberg	100.0
27 LAUER-FISCHER ApothekenService GmbH (vormals: Kronen zweitausend171 GmbH)	39) Koblenz	100.0
28 APV Ärztliche Privatverrechnungsstelle GmbH	3) Bensheim	100.0
29 HABA Computer Aktiengesellschaft	35) Hamburg	98.0
Subsidiaries in the region Central Eastern Europe (CEE)		
30 CompuGroup Medical CEE GmbH	Vienna/Austria	100.0
31 CGM Arztsysteme Österreich GmbH (formerly: CompuGroup Österreich GmbH)	10) Winer Neudorf/Austria	100.0
32 HCS Health Communication Service Gesellschaft m.b.H.	10) Steyr/Austria	100.0
33 INNOMED Gesellschaft für medizinische Softwareanwendungen GmbH	10) Wiener Neudorf/Austria	70.3
34 Intermedix Österreich GmbH	10) Wiener Neudorf/Austria	100.0
35 CGM Clinical Österreich GmbH (formerly: Systema Human Information Systems Gesellschaft mbH)	10) Steyr/Austria	100.0
36 CompuGroup Medical Schweiz AG	10) Bern/Switzerland	100.0
37 CompuGroup Medical Polska Sp. z o.o.	Lublin/Poland	100.0
38 CompuGroup Medical Česká republika s.r.o.	11) Prague/Czech Republic	100.0
39 Intermedix Česká republika s.r.o.	12) Prague/Czech Republic	100.0
40 CompuGroup Medical Slovensko s.r.o.	12) Bratislava/Slovakia	100.0
41 CompuGroup Medical Bilgi Sistemleri A.Ş.	14) Istanbul/Turkey	100.0
Subsidiaries in the region North Europe (NER)		
42 CompuGroup Medical Norway AS	7) Lysaker/Norway	100.0

Company name	Registered Office	Equity voting rights in %
43 Profdoc AS	Lysaker/Norway	100.0
44 CompuGroup Medical Sweden AB	7) Uppsala/Sweden	100.0
45 Lorensbergs Communication AB	22) Gothenburg/Sweden	100.0
46 Lorensbergs Holding AB	7) Gothenburg/Sweden	100.0
47 CompuGroup Medical LAB AB	8) Borlänge/Sweden	100.0
48 CompuGroup Medical Denmark A/S	7) Randers/Denmark	100.0
49 CompuGroup Medical Belgium BVBA	15) Nevele/Belgium	100.0
50 CompuGroup Medical Nederland B.V.	21) Echt/Netherlands	100.0
51 CompuGroup Medical Holding Coöperatief U.A.	20) Echt/Netherlands	100.0
52 CompuGroup Medical Nederland Software and Services B.V.	21) Echt/Netherlands	100.0
53 Labelsoft Clinical IT B.V.	21) Zoetermeer/Netherlands	100.0
54 Compufit BVBA	23) Ostend/Belgium	100.0
55 Barista Software BVBA	23) Hasselt/Belgium	100.0
56 ATX Advanced Technology Extended SA	23) Wetteren/Belgium	100.0
Subsidiaries in the region South Europe (SER)		
57 CompuGroup Medical Solutions SAS	16) Montpellier/ France	100.0
58 Intermedix France SAS	16) Nanterre/France	100.0
59 CompuGroup Medical France SAS	Nanterre/France	100.0
60 Imagine Assistance S.a.r.l.	Soulac sur mer/France	100.0
61 Imagine Editions SAS	Soulac sur mer/France	100.0
62 CGM LAB France SAS	27) Paris/France	100.0
63 CompuGroup Medical Italia SpA	Molfetta/Italy	100.0
64 CompuGroup Medical Italia Holding S.r.l.	Milan/Italy	100.0
65 CGM XDENT Software S.r.l.	17) Ragusa/Italy	80.0
66 Studiofarma S.r.l.	24) Brescia/Italy	100.0
67 Qualità in Farmacia S.r.l.	24) Novara/Italy	100.0
68 SF Sanità S.r.L	25) Brescia/Italy	60.0
69 Farloyalty s.r.l.	25) Brescia/Italy	51.0
70 farma3tec S.r.l.	24) Milan/Italy	80.0
71 Mondofarma S.r.l.	30) Chiusi/Italy	100.0
72 Medicitalia S.r.l.	17) Milan/Italy	90.0
73 Vega Informatica e Farmacia Srl	24) Pavia/Italy	75.0
74 CGM LAB Belgium SA	28) Barchon/Belgium	100.0
75 Intermedix ESPANA SL	Madrid/Spain	100.0
76 Medigest Consultores S.L.	Madrid/Spain	100.0
77 OWL Computer SL	41) Madrid/Spain	70.0
78 Farmages Software S.L.	41) Balanos de Calatrava/ Spain	52.0
Subsidiaries in the region United States und Canada (USC)		
79 All for One Software, Inc.	2) Los Angeles/USA	100.0
80 CompuGroup Holding USA, Inc.	Delaware/USA	100.0
81 CompuGroup Medical, Inc.	18) Delaware/USA	100.0
82 All for One Software, Inc.	19) Vancouver/Canada	100.0
Subsidiaries in the region "Other" (OTH)		
83 CompuGroup Medical South Africa (Pty) Ltd.	13) Capetown/South Africa	100.0
84 CompuGroup Medical Malaysia Sdn Bhd	7) Kuala Lumpur/Malaysia	100.0

Consolidated Notes for the 2017 Financial Year *continued*

Company name	Registered Office	Equity voting rights in %
85 CompuGroup Medical Software GmbH	3) Koblenz	100.0
86 UCF Holding S.a.r.l.	3) Luxembourg/Luxembourg	100.0
87 CGM Software RO SRL	36) Iasi/Romania	100.0
88 CompuGroup Medical Singapore PTE.LTD.	Singapore/Singapore	100.0
89 Intermedix SA (PTY) LTD	Cape Town/South Africa	100.0
Joint ventures		
90 CGM-Alstar Healthcare Solutions Sdn Bhd	26) Kuala Lumpur/Malaysia	45.0
91 MGS Meine Gesundheit Services GmbH	33) Koblenz	37.5
92 Fablab S.r.l.	17) Mailand/Italien	75.0
Associated companies at equity		
93 Mediaface GmbH	Hamburg	49.0
94 AxiService Nice S.a.r.l.	16) Nice/France	28.0
95 Technosante Nord-Picardie SAS	16) Lille/France	20.0
96 Smoove Software S.r.l.	37) Milan/Italy	47.6
97 N.O.R.D. GmbH	42) Koblenz	25.0
98 Gotthardt Informationssysteme GmbH	42) Koblenz	28.0
Other participations		
99 AES Ärzteservice Schwaben GmbH	3) Bad Wimpfen	10.0
100 BFL Gesellschaft des Bürofachhandels mbH&Co.KG	29) Eschborn	2.0
101 CD Software GmbH	2) Lampertheim	9.1
102 ic med EDV-Systemlösungen für die Medizin GmbH	3) Halle	10.0
103 Savoie Micro S.a.r.l.	16) Meythet/France	10.0
104 Technosante Toulouse S.A.S.	16) Toulouse/France	10.0
105 Consalvo Servizi S.r.l.	25) Salerno/Italy	5.0
106 Daisy-NET S.c.a r.l.	17) Bari/Italy	0.5
107 Practice Perfect Medical Software (PTY) Limited	35) Hillcrest/South Africa	15.0
108 MED-IT GmbH & Co. KG	42) Osnabrück	25.5

- 1) Subsidiary of CGM Managementgesellschaft mbH
- 2) Subsidiary of CGM Clinical Deutschland GmbH
- 3) Subsidiary of CompuGroup Medical Deutschland AG
- 4) Subsidiary of ifap Service Institut für Ärzte und Apotheker GmbH
- 5) Subsidiary of CompuGroup Medical Dentalsysteme GmbH
- 6) Subsidiary of LAUER-FISCHER GmbH
- 7) Subsidiary of Profdoc AS
- 8) Subsidiary of CompuGroup Medical Sweden AB (vormals Profdoc AB)
- 9) Subsidiary of AESCU DATA Gesellschaft für Datenverarbeitung mbH
- 10) Subsidiary of CompuGroup Medical CEE GmbH
- 11) Subsidiary of CompuGroup Medical SE (78,5%) and CompuGroup Medical Deutschland AG (21,5%)
- 12) Subsidiary of CompuGroup Medical Česká republika s.r.o.
- 13) Subsidiary of CompuGroup Medical SE (91,511%) and Profdoc AS (8,489%)
- 14) Subsidiary of CompuGroup Medical SE (43,99%), CompuGroup Medical Deutschland AG (53,16%), Intermedix Deutschland GmbH (0%), CGM Clinical Deutschland GmbH (0,48%), CompuGroup Medical Software GmbH (2,37%)
- 15) Subsidiary of CompuGroup Medical SE (99%) and CompuGroup Medical AG (1%)
- 16) Subsidiary of UCF Holding S.a.r.l.
- 17) Subsidiary of CompuGroup Medical Italia SpA
- 18) Subsidiary of CompuGroup Holding USA, Inc.
- 19) Subsidiary of All for One Software, Inc.
- 20) Subsidiary of CompuGroup Medical SE (99,98%) and der CompuGroup Medical Deutschland AG (0.02%)

- 21) Subsidiary of CompuGroup Medical Holding Coöperatief U.A.
- 22) Subsidiary of Lorensbergs Holding AB
- 23) Subsidiary of CompuGroup Medical Belgium BVBA
- 24) Subsidiary of CompuGroup Medical Italia Holding S.r.l.
- 25) Subsidiary of Studiofarma S.r.l.
- 26) Subsidiary of CompuGroup Medical Malaysia Sdn Bhd
- 27) Subsidiary of CGM LAB International GmbH
- 28) Subsidiary of CGM LAB International GmbH (99,9%) and CompuGroup Medical SE (0.01%)
- 29) Subsidiary of CompuGroup Medical Deutschland AG (1.0%) and CGM Clinical Deutschland GmbH (1.0%)
- 30) Subsidiary of fama3tec S.r.l.
- 31) Subsidiary of Turbomed Vertriebs und Service GmbH
- 32) Subsidiary of CompuGroup Medical South Africa (Pty) Ltd.
- 33) Subsidiary of CompuGroup Medical Mobile GmbH
- 34) Subsidiary of Medicitalia S.r.l. (50%)
- 35) Subsidiary of APV Ärztliche Privatverrechnungsstelle GmbH
- 36) Subsidiary of CompuGroup Medical SE (5%) and CompuGroup Medical Software GmbH (95%)
- 37) Subsidiary of Vega Informatica e Farmacia S.r.l.
- 38) Subsidiary of EBM Medienholding GmbH (formerly: Dr. Ralle Medienholding GmbH)
- 39) Subsidiary of CGM IT Solutions und Services GmbH
- 40) Subsidiary of CompuGroup Medical Software GmbH
- 41) Subsidiary of Medigest Consultores S.L.
- 42) Subsidiary of K-Line Praxislösungen GmbH

Remarks:

The companies INNOMED Gesellschaft für medizinische Softwareanwendungen GmbH, CGM XDENT Software S.r.l., farma3tec S.r.l. und Medicitalia S.r.l. will be incorporated with 100 percent through existing Put-/ Call- Options in the consolidated financial statement without recognitions of minoritites.

The company Vega Informatica e Farmacia is included due to existing option contracts with 15 percent minority in the consolidated financial statement.

12. Debt consolidation

Receivables, liabilities and reserves within the in the consolidated financial statements included companies were offset.

13. Consolidation of results

Internal revenue between the consolidated companies were offset against the expenditures attributable to them. Other earnings (including earnings from equity investments) were offset against the corresponding expenditures with the recipient of the services. Interim profits from deliveries and services within the Group were eliminated.

14. Foreign currency conversion

In the preparation the financial statements of each Group company, transactions, which are conducted in currencies other than the functional currency of the ultimate Group company (parent company), are translated using the exchange rates prevailing on the transaction date. The functional currency is the respective national currency which equals the currency of the primary business environment. At each reporting date, monetary items in foreign currencies are converted with the effective period-end exchange rate. Non-monetary items denominated in foreign currencies, which are measured at fair value, are converted at the rates which were effective at the date of the determination of fair value. Non-monetary items, which have been estimated on cost of acquisition and production, are converted with the exchange rate at the time they were first recognized on the balance sheet.

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

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

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

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

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

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

Consolidated Notes for the 2017 Financial Year *continued*

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

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

1€ corresponds to	Fixed rates		Average rates January – December	
	31.12.2017	31.12.2016	2017	2016
Denmark (DKK)	7.44	7.43	7.44	7.45
Canada (CAD)	1.50	1.42	1.46	1.47
Malaysia (MYR)	4.85	4.73	4.85	4.58
Norway (NOK)	9.84	9.09	9.33	9.29
Poland (PLN)	4.18	4.41	4.26	4.36
Romania (RON)	4.66	4.54	4.57	4.49
Sweden (SEK)	9.84	9.55	9.64	9.47
Switzerland (CHF)	1.17	1.07	1.11	1.09
Singapore (SGD)	1.60	1.52	1.56	1.53
South Africa (ZAR)	14.81	14.46	15.05	16.26
Czech Republic (CZK)	25.54	27.02	26.33	27.03
Turkey (TRY)	4.55	3.71	4.12	3.34
USA (USD)	1.20	1.05	1.13	1.11

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

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

15. Intangible assets

a) Intangible assets acquired separately and as part of a business combination

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

If CGM Group acquires intangible assets with indefinite useful lives separately, these assets are recognized at acquisition cost less accumulated impairments.

Currently CGM Group does not own any intangible assets with indefinite useful lives, which were acquired separately.

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

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

	Useful life in years
Acquired software	2-15
Customer relationships	10-30
Brands	1-20
Order backlogs	1-3

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

The main part of intangible assets in the balance sheet come from company acquisitions. Currently, with the exception of goodwill, CGM Group has no assets with indefinite useful lives, which have been acquired as part of a business combination.

b) Capitalized in-house software

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

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

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

An in-house intangible asset is capitalized for the first time at the sum of all expenses incurred from the day on which the intangible asset fulfills all of the aforementioned conditions for the first time. As long as a capitalized in-house intangible asset cannot be capitalized or is not yet available, development costs are recognized as expenses in the period in which they are incurred.

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

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

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

Consolidated Notes for the 2017 Financial Year *continued*

c) Goodwill

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

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

The impairment test of goodwill is based on cash-generating units (CGU). A CGU is the lowest level on which goodwill is monitored for the internal purposes of company management. As part of the impairment testing, the carrying amount of the cash-generating units on which the goodwill is based is compared to their recoverable value. If the carrying amount of the CGU exceeds its recoverable value, then an impairment exists and the goodwill must be written down to its recoverable value.

The recoverable value is the higher of two amounts: the value in use and its fair value minus disposal costs. To determine the recoverable value, the Company first calculates the value in use of the CGU using a discounted cash flow (DCF) method. A subsequent write-up of an impairment loss recognized in previous financial years on goodwill, to reflect the absence in the current financial year of the reasons for the impairment loss, is not permitted.

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

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

d) Impairments of property, plant, and equipment and intangible assets (excluding goodwill)

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

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

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

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

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

e) Derecognition of intangible assets

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

16. Property, plant, and equipment

a) Land and buildings

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

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

The expected useful life for major property, plant and equipment are for the current and comparative year:
Buildings: up to 60 years

The depreciation is calculated to write off the costs of property, plant and equipment less their estimated residual values on a straight-line basis over their estimated useful live. Depreciation methods, useful lives and residual values are reviewed at each reporting date and are adjusted if necessary.

b) Other assets and plant and office equipment

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

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

The expected useful life for major property, plant and equipment are for the current and comparative year:
Other assets and plant and office equipment: 3-21 years

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

In 2016 CGM SE has bought a new aircraft for EUR 8,317,000. The following main components of the new aircraft have been recognized and depreciated separately over their estimated useful lives:

- Engines (11 years);
- Interior (10 years);
- Aircraft excluding engines and interior (21 years).

17. Borrowing costs

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

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

18. Investments in companies recognized with the "equity method"

Investments in companies recognized with the "equity method" include the associates and the joint ventures.

a) Investments in associates

Pursuant to IAS 28, Investments in Associates and Joint Ventures, associates are stated in accordance with the "equity method."

At the time of acquisition, they are stated at purchase costs. The book value of the investment also includes goodwill identified at the time of acquisition less impairment. Dividend payments of the investments will be accounted for in the year of payment as a reduction of the carrying amount without any effects in the income statement. The Company's share of earnings of associates in the period is posted to income.

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

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

b) Joint Ventures

Pursuant to IAS 28, Investments in Associates and Joint Ventures, joint ventures are also stated in accordance with the "equity method". The classification as a joint venture is based on the criteria of IFRS 11, Joint Arrangements.

At the time of acquisition, they are stated at purchase costs. The book value of the investment also includes goodwill identified at the time of acquisition less impairment. Dividend payments of investments will be accounted for in the year of payment as a reduction of the carrying amount without any effects in the income statement.

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

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

19. Financial assets**a) Classification**

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

Financial assets recognized at fair value in income

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

Loans and receivables

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

Financial assets available for sale

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

b) Recognition and measurement

Regular purchases and sales of financial assets are recognized on the trading day – the day on which the Group commits to purchase or dispose of the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value in the income statement. Financial assets carried at fair value in the income statement are initially recognized at fair value and transaction costs are expensed in the income statement.

Financial assets are derecognized when the rights to receive cash flow from the investments have expired or have been transferred and CGM has transferred all substantial risks and rewards of ownership. Financial assets recognized at fair value in the income statement are subsequently carried at fair value. Loans and receivables are carried at amortized cost using the effective interest method. Financial assets available for sale are subsequently carried at fair value unless the fair value cannot be determined, in which case the financial assets available for sale are carried at cost.

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

c) Impairment of financial assets**Assets carried at amortized cost**

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

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

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- CGM, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- Probability that the borrower will enter bankruptcy or other financial reorganization;
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
- Adverse changes in the payment status of borrowers in the portfolio; or national or local economic conditions that correlate with defaults on the assets in the portfolio.

CGM Group first assesses whether objective evidence of impairment exists.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognized in the income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

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

Financial assets available for sale

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

d) Derecognition of financial assets

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

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

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

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

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

At present, the CGM Group does not conduct such transactions in the course of its business activities.

e) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated financial statements when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. None of these elements were material at the reporting date.

20. Inventories

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

21. Trade receivables and other current receivables

CGM Group records receivables at amortized cost less impairments. A value adjustment basically takes place from the time when the receivable is classified as overdue. The default risk (assessment in relation to probability of default) determines whether the receivable is recognized in the income statement through derecognition or by means of an impairment account.

Receivables that are deemed to be of minor importance as well as receivables of similar default risk are grouped together and analyzed using historical values to test for impairment. A write-off of the receivable occurs when objective evidence indicates that the payment default is secure.

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22. Cash and bank deposits

Cash and bank deposits are recognized at cost. They comprise cash reserves, bank deposits available on demand and other current, highly liquid financial assets that have terms of a maximum of three months at the time of acquisition. It is indicated if the Group holds a substantial amount of cash and cash equivalents which cannot be disposed of.

23. Assets held for sale and discontinued operations

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

The CGM Group classifies assets and liabilities as disposal groups if they are to be sold or otherwise disposed of as a group in a single transaction and the criteria of IFRS 5 "Asset Held for Sale and Discontinued Operations" are fulfilled.

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

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

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

24. Provisions for post-employment benefits

For defined benefit plans, the costs for services rendered are determined on the basis of the projected unit credit method, with an actuarial assessment being carried out at the end of each reporting period. In this method, biometric bases for calculation and the respective, current long-term capital market interest rate, as well as current assumptions regarding future salary and pension increases, are taken into account.

Revaluations consisting of actuarial profits and losses, changes resulting from the application of asset ceilings and income from plan assets (not including interest on net debt) are recognized immediately in other income and are directly included in the balance sheet. The revaluations recognized in other income are part of retained earnings and are no longer reclassified in the income statement.

Past service costs are recognized as expenses as soon as the changes to the pension plan come to fruition and provided that the changes to the pension plan depend on the employees remaining in service for a specified period of time (vesting period).

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

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

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

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

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

25. Provisions for anniversaries

Pursuant to IAS 19.67, provisions for anniversaries are stated in accordance with the "projected unit credit method". The provisions for anniversaries are paid out according to the aging list of the workforce to the respective anniversaries of service of the employees. Based on the current workforce, payments will mainly take place during the next 30 years.

26. Other provisions

Provisions are established for legal and actual obligations that existed as at the balance sheet date or that arose for economic reasons if it is likely that the fulfillment of the obligation will lead to an outflow of funds or an outflow of other resources of the Company, and if there is uncertainty, resulting from estimating inaccuracies, with regard to due dates and amounts.

Measurement is on the basis of the amount of the obligation with the highest degree of probability or, in the case of equal probability, on the expected amount of the obligation. Risks and uncertainties linked to the obligation are to be taken into consideration. Should a provision be measured on the basis of the estimated cash flows from the fulfillment of the obligation, these cash flows are to be discounted if there is a material interest effect.

If it can be assumed that the economic benefit necessary for the fulfillment of the provision, or parts thereof, are to be reimbursed by a third party, CGM Group recognizes this economic benefit as an asset on the condition that it is almost certain that the reimbursement will take place and that the reimbursement amount can be estimated accurately.

a) Onerous contracts

Current obligations in relation to onerous contracts are recognized as provisions. The existence of an onerous contract is assumed if CGM Group constitutes a contractual party in a contract in which it is anticipated that unavoidable costs necessary to fulfill the contract exceed the maximum potential economic benefit.

b) Restructuring

A provision for restructuring expenses is recognized if CGM Group has prepared a detailed, official restructuring plan, which gives those affected the justified impression that the commencement of the plan's implementation or the announcement of its key elements means that the restructuring will be carried out. Only the direct expenses linked to the restructuring are applied to the measurement of the restructuring provision. Therefore, only the expenses incurred as a result of the restructuring are recognized and not the expenses relating to the ongoing business operations of the Group.

c) Guarantees

Provisions for anticipated expenses from guarantee obligations pursuant to national laws governing sales contracts are recognized at the time of the sale of the product concerned. The amount is calculated on the basis of an estimate of expenditure necessary for the Group to fulfill its obligation. If a large number of similar obligations exist, such as for guarantees, the probability of a charge over assets is determined on the basis of this group of obligations. Provisions are also carried under liabilities if the probability of a burden on assets is low in relation to a single obligation contained in this group.

d) Severance payments

A liability for payments resulting from the termination of an employment relationship is recognized when CGM Group can no longer revoke the offer of such benefits. Should severance payments arise in relation to restructuring, the liability for payments resulting from the termination of an employment relationship is recognized at an earlier time (before an offer is submitted).

Consolidated Notes for the 2017 Financial Year *continued*

27. Financial liabilities

CGM Group recognizes financial liabilities when a Group company becomes a contractual party in a financial instrument. Depending on the circumstances, these kinds of liabilities are either classified as financial liabilities recognized at fair value in the income statement or as other financial liabilities.

CGM Group measures financial liabilities at fair value upon addition.

a) Financial liabilities measured at fair value in the income statement

Financial liabilities are classified as financial liabilities measured at fair value in the income statement when they are either held for the purposes of trading or are voluntarily measured at fair value in the income statement.

A financial liability is classified as held for trading purposes, if:

- It was acquired with the primary intention of being bought back in the short term, or
- It is part, at the time of initial recognition, of a portfolio of clearly defined financial instruments managed by CGM Group, for which there has been evidence of short-term profit taking in the recent past, or
- It is a derivative, which is not designed as a hedging instrument, and is effective and does not constitute a financial guarantee.

Other financial liabilities not held for the purposes of trading can be designated at fair value in the income statement at the time of initial recognition, if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise, or
- The financial liability belongs to a group of financial assets and/or financial liabilities that is managed and measured in accordance with a documented Group risk or investment management strategy on the basis of fair values and on which the internal information flow is based, or
- It is part of a contractual agreement that contains one or more embedded derivatives and IAS 39 “Financial Instruments: Recognition and Measurement” permits the entire contract (asset or liability) to be measured at fair value.

In the category “Financial assets at fair value (FVtPL)” the designated financial liabilities are measured at fair value. Therefore, all gains or losses resulting from the measurement are recognized in the income statement. The net profit or loss recognized in the income statement includes interest paid on financial liabilities and is recorded under “Financial income and liabilities”.

b) Other financial liabilities

Other financial liabilities, such as loans, trade liabilities and other liabilities are measured at amortized cost using the effective interest method. The effective interest method is used for the calculation of the amortized cost of a financial liability and the allocation of the interest expense to the corresponding period. The effective interest rate is the interest rate at which estimated future cash outflow – including incurred costs and paid or received fees, which are integral parts of the effective interest rate, as well as transaction costs and other premiums or discounts – is discounted on the net carrying amount from initial recognition over the expected term of the financial instrument or for a shorter period.

c) Derecognition of financial liabilities

CGM Group derecognizes a financial liability as soon as the respective obligation is settled, reversed, or expires. The difference between the carrying amount of the derecognized financial liability and the received consideration is recognized in the income statement.

28. Equity

If equity instruments exist, they are recognized at issue earnings less directly attributable issue proceeds. Issue costs include costs that would not have otherwise been incurred had the equity instrument not been issued.

Shares bought back by CGM Group (treasury shares) are to be directly deducted from shareholders’ equity. The purchase, sale, issue or cancellation of treasury shares is not recognized in the income statement. All paid or received payments related to treasury shares are recognized directly in equity.

29. Accumulated other income

Changes in equity with no effect on net income are recorded in accumulated other income provided these changes are not based on transactions with shareholders recognized in equity. Changes recorded in other income include differences from currency conversion, unrealized gains and losses from the measurement at fair value of assets held for sale and from derivative financial instruments. Actuarial gains and losses are recorded in equity under provisions in the period in which they are recognized.

30. Derivative financial instruments (in hedge accounting)

CGM Group hedges derivative financial instruments in order to control its interest and exchange rate risks. This includes the conclusion of forward exchange transactions and interest swaps. Derivatives are carried initially at fair value at the time of contract conclusion and subsequently measured at fair value at the end of each reporting period. The gains or losses resulting from the measurement is recognized immediately in the income statement, provided that the derivative is not a hedging instrument as part of designated and effective hedge accounting.

Derivatives included in hedge accounting are generally designated as either:

- Hedges of the fair value of recognized assets or liabilities or a firm commitment (fair value hedge);
- Hedges of a particular risk associated with a recognized asset or liability or a highly probable forecast transaction (cash flow hedge); or
- Hedges of a net investment in a foreign operation (net investment hedge).

At the start of hedge accounting, the relationship between the underlying transaction and the hedge is documented, including risk management targets and the corporate strategy behind the conclusion of hedge accounting. In addition, the effectiveness of the hedging derivative designated as part of hedge accounting is documented with regard to compensation for changes to the fair value or to payment flows in the underlying transaction, both when the hedge accounting is commenced and at regular intervals. The recognition of the measurement results in the income statement depends on the type of hedge accounting. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than one year and as a current asset or liability when the remaining maturity of the hedged item is less than one year.

Trading derivatives are classified as non-current assets or liabilities in accordance with IAS 1.68 and IAS 1.71 if they are due after more than one year; otherwise they are classified as current.

If derivatives embedded in non-derivative basis contracts are concluded, CGM Group treats these as freestanding derivatives on the condition that:

- Derivative requirements are fulfilled,
- Their financial features and risks are not closely linked with the basic contract, and
- The contract as a whole is not measured at fair value in the income statement.

As of December 31, 2017, neither derivatives in the income statement nor derivatives as interest rate hedges exist.

Moreover, forward exchange contracts have been concluded in the reporting period, while at balance sheet date December 31, 2017 no exchange contracts existed.

31. Cash flow hedges

The effective portion of changes in the fair value of derivatives that can be used for cash flow hedges and are designated as such is recognized in other operating income under "Cash flow hedges." Any gains or losses attributable to the ineffective portion are immediately recognized in the financial result in the income statement.

Amounts recognized in other income are reclassified in the income statement in the period in which the underlying transaction is recognized in the income statement. The amounts are recognized under the same income statement item as the underlying transaction. However, if a hedged anticipated transaction leads to the recognition of a non-financial asset or a non-financial debt, the profits and losses previously recorded in other income and in shareholders' equity are derecognized from shareholders' equity and taken into consideration in the initial measurement of the cost of the asset or debt.

The recognition of hedge accounting on the balance sheet ends when CGM Group dissolves, sells, terminates, or exercises the hedging instrument or when the derivative is no longer suitable for hedging purposes. The profits and losses recognized at this time in other income and in shareholders' equity remain in shareholders' equity and are only recognized in the income statement when the anticipated transaction is also carried in the income statement. If the anticipated transaction is no longer expected to occur, all income recognized in shareholders' equity is immediately reclassified in the income statement.

See section "Fair value measurement" for details on the fair values of derivatives used for hedging purposes. As of December 31, 2017, no cash flow hedges existed.

32. Liabilities from government grants

Government grants are recognized according to the gross method, with the grants being netted against the asset in question. Government grants include investment subsidies only, which are recognized in other income in proportion to the depreciation of the subsidized assets.

33. Leases

Leases are essentially classified as finance leases if all risks and rewards incidental to ownership are transferred to the lessee through the leasing agreement. Leases in which a substantial proportion of all risks and rewards incidental to ownership of an asset remain with the lessor are classified as operating leases.

a) CGM Group as lessee

The Group leases certain items of property, plant and equipment (leased items). Assets in connection with finance leases are capitalized at the beginning of the leasing term at the lower of the fair value of the leased item and the present value of minimum lease payments. Leasing liabilities of the same amount are recognized under non-current liabilities. Each leasing installment is divided into its respective interest and principal components in such a way that the leasing liabilities remain constant. The net lease liability is recorded under current and non-current liabilities. The interest component of the leasing installment is charged to the income statement so as to produce a constant rate of interest over the term of the lease agreement. Items of property, plant and equipment governed by finance leases are

Consolidated Notes for the 2017 Financial Year *continued*

depreciated over the shorter of their economic useful life or the term of the lease.

Payments made in relation to an operating lease are recognized as expenses on a straight-line basis over the duration of the lease. The only exception to this is when another accounting method is more suitable to the pattern of economic benefits for CGM Group. Conditional payments within the scope of an operating lease are recognized as expenses in the period in which they occur.

b) CGM as lessor

If assets are leased under a finance lease (especially in the PCS segment), the present value of the minimum lease payments is carried as a lease receivable. Any difference between the gross receivable (minimum lease payment before discounts) and the present value of the receivable is recognized as unrealized financial income. The receipt of differences in amounts is recognized in revenue. Leasing income is recognized over the lease term using the annuity method, reflecting a constant annual return in terms of the lease receivable.

Assets leased by customers within the scope of leasing relationships are recognized in non-current assets. Income from leases is recognized on a straight-line basis over the term of the lease.

34. Income taxes and deferred taxes

Income tax expenses for the reporting period recognized in the CGM Group income statement consist of the current tax charge and deferred taxes charged in the income statement. CGM Group calculates the current tax charge on the basis of Group companies' taxable income under valid national income tax rates.

In accordance with the requirements of IAS 12, CGM Group recognizes all temporary differences between the tax balance sheet and the consolidated financial statements as deferred taxes. Deferred tax assets on loss carry forwards are recognized as assets in the amount for which it can be assumed that usage will take place in the medium term (five years) permitted under tax law.

Deferred tax assets and liabilities are also formed on the basis of temporary differences resulting from company acquisitions. One exception to this is temporary differences from goodwill for which no deferred taxes are recognized. If goodwill is taken into account for tax purposes, the recognition of deferred taxes that are not realized before the disposal is performed in the subsequent evaluation.

Deferred tax liabilities arising from temporary differences in connection with investments in subsidiaries and associates are not recognized for materiality reasons.

The respective valid national income tax rates for Group companies are used in the calculation of deferred taxes. Income tax rates that are already fixed but will only be applied in future periods are also taken into consideration in the calculation of deferred taxes.

Deferred tax entries generally impact the income statement (with the exception of first-time consolidation) unless they relate to items that are directly recognized in equity or other income. In this case, the taxes are also recognized in equity or other income.

35. Revenue recognition

Revenue from the sale of goods and rights is recorded once the risks and rewards of ownership of the goods and rights have been transferred to the buyer, the transfer of the economic use of the asset is likely and the amount can be reliably established. Revenue from services purchased is recorded as soon as the service is performed. Revenue is not recognized if there are any material risks regarding the receipt of the consideration or the potential return of goods. CGM Group recognizes its revenue less any reductions such as bonuses, rebates or discounts.

Revenue and expenses resulting from manufacturing orders (primarily from the implementation of software solutions in clinics, larger laboratories, social services and rehabilitation centers) are carried according to the percentage of completion method. According to this, Revenue is recognized according to the percentage of completion. The percentage of completion is calculated on the basis of the relationship between the order costs incurred on the respective date and total order costs estimated on the reporting date. Manufacturing orders carried according to the percentage of completion method are recognized on the reporting date at incurred order cost plus the percentage of profit resulting from the percentage of completion. The Revenue generated from manufacturing orders is recognized less received prepayments and invoiced services already settled by the customer in the balance sheet under trade receivables.

Changes to ordered services as well as subsequent services are only taken into account as part of an existing manufacturing order if acceptance on the part of the customer is considered likely and a reliable assessment can be made regarding the amount. Should Revenue from a manufacturing order not be able to be estimated with a sufficient level of certainty, probable revenue is recognized at least up to the amount of incurred costs. Order costs are recognized as expenses for the period in which they are incurred. If it is foreseeable that anticipated order costs will exceed order income, the anticipated loss is recognized immediately as expenses.

Revenue from contracts that contain a number of different elements (multi-component contracts) is recognized if the respective contractual component has been supplied or provided and is based on the objective, relative fair values of each individual contractual component.

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

Revenue type	Description and income recognition
Software licenses	These include revenue from the sale of software licenses, which are usually subject to a single payment. The license entitles the customer to permanent use of the software. The license fee is contractually fixed and does not trigger any future license payments or usage-dependent invoices. Only software expansion modules trigger further license payments. Income from sales of software licenses is recognized on dispatch. This is the main difference to IFRS 15. According to the "right to access" approach, which affects practically all license sales in the classic AIS and PCS segment, license revenue will be deferred over the contract term of the maintenance contract.
Software license and other recurring income	This includes revenue from contracts that give customers access to new releases of software products after they have already been supplied. These updates serve to rectify bugs, improve performance and other features and also adapt the software to changes in the usage environment. The contractual relationship for software maintenance also includes hotline support (either via telephone or online). A software maintenance contract usually runs for twelve months and is automatically extended by a further twelve months. Revenue from recurring, transaction-specific services and other long-term services (SAAS and period-related transfer of use) include application service provider services, hosting fees, Internet service provider fees, eServices fees, EDI and compensation payments, receivables management payments, outsourcing agreements, hardware maintenance and repair agreements etc. Customer relationships are usually long-term. Income from software maintenance and other recurring income as well as from support services is booked over the period when the services are rendered.
Professional Services	Revenue from services remunerated on an hourly basis or at contractually agreed fixed prices falls under the "Services" revenue type. Activities performed on behalf of customers include project management, analysis, training, system configuration, customer-specific programming. Income from services to be remunerated on an hourly basis is recognized upon completion of the service. Income from service components as part of manufacturing and other service contracts is recognized according to the degree of completion of the project (percentage of completion method).
Hardware	Revenue from the sale of hardware and infrastructure components, such as PCs, servers, monitors, printers, switches, racks, network components, etc. This income is recognized immediately after the hardware components are dispatched. This does not apply to contractually fixed hardware components within the scope of manufacturing orders, which are recognized in the project as a whole according to the degree of completion (percentage of completion method).
Advertising, eDetailing and data	This includes revenue from paid advertising content and communications services relating to software or other media. It also includes revenue from software services and associated services supporting the sales process of pharmaceutical companies. Revenue from the collection, organization and provision of data (i.e. blacklists) for service providers in the healthcare sector (e.g. health insurances, pharma companies) is attributed to this income type. Income from advertising, eDetailing and data that take the form of a continuing obligation is booked over the period when the services are rendered. Income from services to be remunerated on an hourly basis is recognized upon completion of the service.
Software assisted medicine (SAM)	This includes revenue from healthcare management and associated services. In addition, revenue that originates from the use of special software modules (i.e. software supporting medical decision-making) in physician's offices, hospitals, networks of physician's offices and hospitals, health insurance providers, patient networks, etc. is allocated to this revenue type. Income from health management services to be remunerated on an hourly basis is recognized upon completion of the service. Income from sales of SAM software licenses is recognized immediately after they are dispatched. Income from software maintenance and other recurring income in SAM is booked over the period when the services are rendered.
Other revenue	This comprises all revenue that cannot be attributed to any of the aforementioned categories. Income recognition is carried out on a case-by-case basis in compliance with the relevant IFRS requirements.

Interest revenue is posted to the correct accounting period based on the outstanding loan balance and the applicable interest rate. The applicable interest rate is the interest rate calculated on the estimated future cash to be received over the term of the financial asset and the net carrying amount of the financial asset.

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

Consolidated Notes for the 2017 Financial Year *continued*

36. Deferred income

Deferred income is recognized in compliance with the basic revenue recognition criteria as software license income, software maintenance, and other recurring income, income from advertising, e-detailing and data, and income from Software Assisted Medicine (SAM) in the income statement. This is typically the case when the related services are rendered.

37. Earnings per share

Undiluted earnings per share equate to the sum of the net result attributable to the shareholders of CompuGroup Medical SE divided by the weighted average of the number of issued shares. If new shares are issued or bought back during the reporting period, this calculation is carried out pro rata based on the shares in circulation during the given period. There are no instruments that could potentially dilute earnings per share.

38. Segment reporting

The segment reporting of CGM Group is aligned with the internal organizational and reporting structure in accordance with the so-called "management approach." The data and financial information used to determine internal management parameters is derived from the consolidated financial statements of CGM Group prepared in accordance with IFRS accounting principles. For details see chapter "F. Segment Reporting"

39. Use of accounting estimates and management judgments

The preparation of consolidated financial statements under IFRS requires that assumptions are made and estimates are applied. These have an effect on the amount and reporting of recorded assets and liabilities, income and expenses, and contingent liabilities of the reporting period. The main estimates and judgments in preparing the consolidated financial statements are discussed below:

a) Purchase price allocations and company acquisitions

Assumptions and estimates are particularly made as part of the purchase price allocations for the purchase of companies. The determination of the value of capitalized software is based upon the relief from royalty method, customer relationships as per the multi-period excess earnings method, and trademark rights using the relief from royalty method. Estimates are also used to support the calculation of the depreciation of identified undisclosed reserves.

b) Estimated impairment of goodwill

An assessment of the recoverable amount for goodwill is carried out both annually and as soon as there is any evidence for an impairment of goodwill; it is based upon budget calculations for the CGU over the next five years using a discount rate reflecting any specific Company risk. CGM Group determines the recoverable amount from either the fair value less disposal costs or the value in use, whichever is greater. However, the management of CGM Group believes that the assumptions used in the calculation of the recoverable value are suitable, unforeseeable changes in these assumptions would lead to an impairment charge which could have negative implications on the net assets, financial position and results of operations of CGM Group.

c) Recoverable amount of assets

CGM Group assesses whether there is evidence of impairment of property, plant, and equipment or an intangible asset (also including intangible assets from capitalized in-house services software) at the end of every reporting period. The recoverable amount of the corresponding asset is determined using the best possible estimate of the input parameters. Similarly, to the recoverable goodwill test, the recoverable amount equates to the fair value less disposal costs or the value of use, whichever is greater. The recoverable amount is determined on the basis of budget calculations for the cash flows of the relevant asset over the next five years using a discount rate reflecting any specific Company risk. However, the management of CGM Group believes that the assumptions used in the calculation of the recoverable amount are suitable with regard to the economic climate and the development of the sector, changes in the underlying parameters could lead to an adjustment of recoverable value analysis for the asset concerned. This could lead to further impairments but also reversed impairments in future periods should the underlying assumptions and estimates set by the management prove to be unsuitable.

d) Useful life of property, plant and equipment

As explained in this section under "Property, plant and equipment," CGM Group reviews the suitability of the estimated useful lives of property, plant and equipment at the end of each reporting period. This results in reassessments in relation to the remaining economic useful life. Changes resulting in a reassessment of the economic useful life can ensue due to changing market conditions (e.g. fall in prices) or general technological advances.

e) Assessment of the probability of other provisions

The recognition and measurement of other provisions on the basis of the best possible assessment of the probability of future outflow of resources as well as by means of empirical values in consideration of known circumstances as of the reporting date can cause the actual outflow of resources to deviate from the other provisions formed to this effect.

f) Provisions for post-employment benefits

The present value of the pension obligation is dependent on a number of factors which, in turn, are based on actuarial assumptions. The assumptions used to determine these net expenses (and income) include the pension interest rate. Any change in this assumption will have an effect on the present value of the obligation.

g) Income recognition from manufacturing orders

As part of their business operations, some of the CGM Group consolidated subsidiaries conclude manufacturing orders that are carried using the percentage of completion method (PoC). Up to now, and also in the future, this will affect in particular the HIS segment in accordance with IFRS 15. Revenue is therefore recognized according to the degree of project completion, applying the cost-to-cost method. The application of the percentage of completion method requires a precise assessment of project progress in relation to the project as a whole. Assessments must be made on anticipated costs for the rest of the project, total order income, inherent order risks and all other relevant factors. CGM Group regularly reviews the suitability of assessments made for the purposes of recognizing income from manufacturing orders and, if necessary, makes the necessary adjustments on the basis of any new findings.

h) Income taxes

Management also has to make estimations and assumptions when calculating current and deferred taxes. Deferred tax assets are assessed at the value at which the recoverability of future tax benefits is judged probable. The actual value of deferred tax assets is dependent upon the actual future taxable income situation. This can vary from the estimate made at the time when the deferred tax asset was first capitalized. Various factors are used to assess the probability of the future utilization, including past operating results, operational planning, loss carry forward periods and tax planning strategies.

i) Fair value of derivative and other financial instruments

The measurement of interest rate derivatives includes expectations about future interest rates as well as the assumptions upon which these expectations are based.

Further explanations regarding the assumptions and estimates made which support these consolidated financial statements are included in the disclosures on the individual line items of the year-end accounting records.

Discretionary decisions have to be taken when applying accounting and measurement methods. These decisions are constantly reassessed and are based on historical experiences and expectations in respect of future events that can be considered reasonable under the given circumstances.

This applies especially with regard to the following issues:

- The determination of the fair values of assets and liabilities acquired as part of a business combination, as well as of the useful lives of the assets is based on management's judgment.
- With regard to assets held for sale, it must be determined if they can be sold in their current condition and if the sale of such is highly probable.
- Financial assets are categorized as either "financial assets recognized at fair value in the income statement," "loans and receivables," or as "financial assets available for sale."

j) Measurement of individual non-current assets held for sale

Basically, assets held for sale are recognized at the lower of carrying amount or fair value minus disposal costs. To determine the fair value less disposal costs, estimates and assumptions are used, which may be subject to various uncertainties.

All assumptions and estimates are based upon the circumstances that exist as of the balance sheet date. Actual future circumstances can, of course, deviate from these estimates and assumptions. If such a deviation occurs, the assumptions are adjusted and, if necessary, the carrying amount of the impacted asset or liability is changed accordingly.

All amounts in the consolidated financial statements are stated in thousands of EURO (EUR '000) unless otherwise stated. Smaller deviations in absolute figures and in the calculation of percentages may occur due to rounding.

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

40. Intangible assets

a) Development of intangible assets

Development of intangible assets were as follows in 2017:

EUR '000	01.01.2017	Purchase or manufacturing costs				Exchange rate differences	31.12.2017	Book value	
		Additions from acquisitions	Other additions	Disposals and transfers	31.12.2017			31.12.2017	
Goodwill/business value	277,384	5,660	0	0	-5,209	277,835	262,450	261,999	
Software	228,344	1,312	5,131	2,587	-6,413	230,961	40,387	41,510	
Customer contracts	235,021	6,017	0	-6	-6,565	234,467	146,373	157,272	
Brands	31,760	329	0	-64	-647	31,378	8,138	10,807	
Order backlog	9,115	0	0	0	-40	9,075	79	377	
Capitalized in-house services	91,796	0	17,600	0	-293	109,103	75,296	60,643	
Purchased software licenses	5,833	0	155	-3,842	-11	2,135	1,885	5,583	
Total	879,253	13,318	22,886	-1,325	-19,178	894,954	534,608	538,191	

Development of intangible assets were as follows in 2016:

EUR '000	01.01.2016	Purchase or manufacturing costs				Exchange rate differences	31.12.2016	Book value	
		Additions from acquisitions	Other additions	Disposals and transfers	31.12.2016			31.12.2016	
Goodwill	273,860	2,464	153	0	907	277,384	261,999	262,861	
Acquired software	242,987	125	1,793	-16,052	-509	228,344	41,510	47,625	
Customer relationships	225,157	8,074	25	-70	1,835	235,021	157,272	160,571	
Brands	31,007	489	13	131	120	31,760	10,807	13,171	
Order backlogs	9,834	0	0	-719	0	9,115	377	665	
Prepayments on software	6,683	0	3,643	-4,470	-23	5,833	5,583	6,433	
Capitalized in-house services	80,630	0	11,093	0	73	91,796	60,643	52,641	
Total	870,158	11,152	16,720	-21,180	2,403	879,253	538,191	543,967	

All amortization of intangible assets are recognized in the income statement.

The complete development of intangible assets is disclosed in the separate appendix to the Notes "Changes in intangible assets and property, plant and equipment in 2017".

The positions software and prepayments on software include the SAP-system of CGM Group. Due to a sale and lease back agreement, the legal ownership of the SAP-system is restricted, as the accounting of the SAP-system is based solely on the beneficial ownership. At the end of the minimum lease term, the leasing company holds the exploitation rights of the SAP-system. The current carrying amount of the respective assets at the balance sheet date is EUR 17,172 thousand (previous year: EUR 16,793 thousand).

b) Goodwill

The goodwill is allocated to cash-generating units (CGUs) as follows:

CGU	01.01.2017 EUR'000	Additions EUR'000	Other additions EUR'000	Disposals EUR'000	Impairment EUR'000	Reclassifications EUR'000	Exchange rate differences EUR'000	31.12.2017 EUR'000
Lauer-Fischer	30,813							30,813
CGM Deutschland	30,618					2,547		33,165
CGM Sweden	28,562						-845	27,717
CGM US	27,172						-3,279	23,893
Systema HIS	14,304							14,304
CGM Italy	12,822							12,822
CGM Norway	11,536						-884	10,652
Imagine Editions	9,517							9,517
ifap	9,290							9,290
CGM Denmark	8,689						-5	8,684
CGM Systema Deutschland	10,283							10,283
CGM Netherlands	7,294							7,294
CGM Österreich	5,975							5,975
CGM LAB Sweden	4,286						-127	4,159
Turbomed Vertriebs und Service	4,240	212						4,452
Sales and Service Pharmacy Italy	10,146							10,146
Innomed	3,789							3,789
CGM Solution	4,479							4,479
CGM South Africa	4,750						-137	4,613
CGM Dentalsysteme	2,905							2,905
Stock	2,547					-2,547		0
CGM Belgium	2,342							2,342
Compufit	2,682							2,682
HCS	2,258							2,258
Studiofarma	2,168							2,168
Medicitalia	2,671							2,671
Labelsoft Clinical IT	1,696							1,696
CGM Ceska Republika	1,381						80	1,461
Intermedix Deutschland	1,147							1,147
Meditec	686							686
Intermedix France	543							543
CGM France	284							284
CGM Turkey	65						-12	53
CGM Poland	14							14
OWL Computer	45							45
K-Line		1,318						1,318
Barista		1,387						1,387
ATX		2,134						2,134
Farmages		609						609
Gesamt	261,999	5,660	0	0	0	0	-5,209	262,450

The additions from the change of the scope of consolidation concern to business combinations by acquisition of common stock (share deal) as well as business combinations by acquisition of net assets (asset deal).

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Primarily the additions show the acquisitions of K-Line Praxislösungen GmbH, Barista Software BVBA, Advanced Technology Explained NV (ATX), each Belgium, and Farmages Software S.L., Spain.

Due to the respectively single management and economic accountability, the acquisitions of Janson & Even Innovationsgesellschaft mbH and Zöchling Computersysteme GmbH (asset deals) are allocated to existing CGUs. The acquisitions of Janson & Even Innovationsgesellschaft mbH is allocated to CGU Turbomed Vertriebs und Service. While the acquisition of Zöchling Computersysteme GmbH is allocated to the new CGU K-Line.

The transfers arise as a result from changes in the organization of the cash-generating units by mergers. As result of the merger and restructuring processes, the merged cash generating units are assigned each to a single management and are economically fully integrated.

During the financial year 2017, Stock Informatik GmbH & Co. KG merged into CompuGroup Medical Deutschland AG. Consequently, the goodwill of the CGU Stock from now on is allocated to the CGU CGM Deutschland.

Due to the merger of Medical EDI Services (Pty) Ltd., South Africa, into CompuGroup Medical South Africa (Pty) Ltd., South Africa, the CGU Medical EDI Services is renamed in CGU CGM South Africa. Consequently the goodwill of former CGU Medical EDI Services from now on is shown under CGU CGM South Africa.

The merger of Micromedic GmbH into Turbomed Vertriebs und Service GmbH had no effect on the composition of the cash-generating units since the acquisition of Micromedic GmbH in financial year 2016 was already allocated to CGU Turbomed Vertriebs und Service.

Due to the mergers within CGM Group, management of CGM Group expects synergies as well as efficiency gains because of a holistic market coverage in the respective countries.

Impairments and Group disposals did not take place during the reporting period.

c) Impairment test of goodwill

For the purpose of impairment testing, goodwill is allocated to the cash generating unit (CGU) or a group of cash generating units that is expected to benefit from the synergies of the business combination. CGM Group defines CGU on basis of related business units and regions. Here, customer groups, market coverage and responsibility of management play a major role.

The discounted future cash flows of the CGUs, discounted by using the DCF method, are determined on the base of the Budget 2018 for the financial position and performance and then verified by using historical values. Subsequently, the results are extended by four additional years using individual planning assumptions per CGU that reflect the Company's future development under current conditions. After the five-year planning period, a perpetuity value is calculated using a conservative Group-wide growth rate of 1 percent. To determine the present value of future cash flows, a discount rate based on WACC (Weighted Average Cost of Capital) is applied. The following table provides information on key assumptions used to compile the business plan:

Explanation of assumptions of corporate budgeting

Description of key assumptions of budgeting	Approach used to determine key assumptions
– Expected development of customer revenue (new customer, cross-selling-activities, winning of public tender)	Internal estimates referring to past experiences as well as expected market trends or market analysis. On availability, external market studies were considered.
– Expected possible price increase for existing customers affecting recurring revenue	
– Use of current and historical organic growth rates for Business Units or Segments	
– Consideration of regulatory changes affecting the development of a Business Unit	
– Development of purchased services based on current circumstances (e.g. based on contracts, strategic businesses) as well as the anticipated development of the sales activities	
– Expected development of personnel expenses and other operating expenses, based on future personnel requirement, contractual matters (e.g. labor agreements) and statistic procedures (e.g. inflation)	

The individual growth assumptions included here for calculating the 2016 and 2017 recoverable amounts of individual CGUs are as follows. The EBITDA margin resulting from the assumed growth projections is also listed to illustrate the plausibility of the assumptions made.

	EBITDA-Margin				Growth-rate			
	2017		2016		2017		2016	
	year 1	following years	year 1	following years	year 1	following years	year 1	following years
Lauer-Fischer	22.6%	22.5%	21.8%	22.8%	3.4%	13.7%	0.5%	3.5%
CGM Deutschland	30.3%	29.3%	33.4%	34.1%	97.5%	-10.3%	28.0%	3.2%
CGM Sweden	20.5%	13.1%	10.8%	13.3%	-10.5%	8.5%	1.0%	3.1%
CGM US	4.7%	13.5%	16.0%	16.8%	-8.1%	15.0%	10.5%	2.4%
CGM Denmark	34.9%	32.4%	36.4%	36.9%	3.5%	12.5%	0.1%	2.2%
CGM Clinical Österreich (Systema HIS)	12.7%	15.8%	17.4%	18.4%	-26.8%	12.5%	-6.6%	2.4%
CGM Italy	29.5%	31.1%	41.8%	43.5%	-6.9%	14.8%	13.9%	3.6%
Qualità in Farmacia S.r.l.	2.8%	5.0%	13.0%	14.0%	4.0%	17.4%	8.7%	3.0%
Studiofarma	44.4%	49.8%	21.5%	21.5%	11.4%	11.8%	27.1%	1.6%
Intermedix Deutschland GmbH	34.1%	33.5%	33.2%	33.4%	-0.3%	9.3%	0.2%	2.4%
Meditec GmbH	19.6%	54.6%	27.1%	29.3%	14.4%	13.1%	-3.0%	3.8%
CGM Norway	16.5%	17.6%	1.1%	8.4%	-8.8%	8.7%	-6.3%	3.2%
Ifap	42.5%	33.4%	25.1%	24.4%	-2.1%	4.8%	1.0%	1.1%
CGM Österreich	27.3%	28.8%	31.8%	33.5%	8.5%	12.8%	3.8%	3.3%
CGM Turkey	-5.2%	4.5%	19.0%	9.0%	-19.3%	22.5%	-21.0%	-1.0%
Innomed	48.5%	46.1%	47.6%	48.8%	13.7%	12.9%	9.7%	3.3%
CGM Solution	47.8%	50.9%	50.1%	52.0%	5.9%	8.8%	13.1%	3.7%
Imagine Editions SAS	31.8%	38.4%	25.9%	28.4%	14.6%	14.6%	13.3%	3.7%
CGM Netherlands	24.9%	27.9%	27.6%	28.2%	23.1%	6.7%	9.9%	2.2%
CGM Dentalsysteme	41.3%	40.7%	40.8%	41.2%	19.0%	9.3%	9.2%	2.2%
CGM Belgium	13.4%	15.7%	22.6%	25.1%	4.1%	21.7%	17.1%	3.7%
HCS	33.8%	40.3%	33.6%	35.3%	33.6%	13.0%	22.0%	3.4%
CGM Ceska republika	22.9%	22.5%	29.2%	31.1%	6.1%	0.9%	4.2%	3.5%
Turbomed Vertriebsund Service	-22.2%	7.2%	6.7%	9.2%	3.8%	-3.0%	29.3%	4.2%
CGM LAB International	-61.5%-16.4%	-19.8%-15.7%	-29.4%-16.9%	-17.8%-18.5%	-40.2%-30.3%	8.3%-33.1%	-6%-7.8%	3%-7.9%
Labelsoft Clinical IT B.V.	-	-	8.6%	12.9%	-	-	0.4%	4.7%
Farma3Tec S.r.l./ Mondofarma s.r.l.	14.3%	12.9%	10.6%	11.6%	13.8%	12.8%	-0.8%	3.0%
Medical EDI Services (Pty) Ird.	-	-	34.7%	36.5%	-	-	13.5%	-1.0%
Medicitalia S.r.l.	31.8%	28.8%	27.3%	34.9%	3.3%	48.6%	29.5%	11.9%
Stock Informatik Systeme (former Stock Gruppe)	-	-	12.8%	15.4%	-	-	3.8%	3.4%
Compufit BVBA	38.2%	26.5%	34.9%	37.2%	13.0%	11.4%	9.9%	3.7%
CGM Systema Deutschland	11.4%	9.6%	4.1%	4.9%	-9.7%	6.1%	-0.4%	2.3%
CGM Poland	16.7%	20.1%	11.6%	12.5%	-24.8%	11.2%	84.5%	0.0%
CGM Schweiz	-1.1%	6.4%	-	-	8.3%	12.2%	-	-
CGM LAB Sweden	29.9%	27.4%	28.0%	30.1%	4.8%	9.1%	4.4%	3.0%
Intermedix France SAS	40.1%	34.2%	51.3%	51.2%	40.9%	6.1%	1.0%	2.4%
Medigest	-29.0%	-12.5%	-2.7%	0.0%	68.4%	14.0%	28.8%	3.5%
OWL	-70.7%	5.2%	38.2%	40.3%	463.2%	12.4%	56.2%	14.1%
Vega	12.5%	13.5%	18.4%	23.7%	-8.1%	12.6%	-	2.1%
K-Line	13.6%	10.6%	-	-	-0.3%	5.4%	-	-
Barista	-116.4%	-13.0%	-	-	99.0%	58.9%	-	-
ATX	-13.0%	13.3%	-	-	-2.9%	14.0%	-	-
Farmages	48.1%	49.2%	-	-	1033.7%	8.6%	-	-
CGM France	13.1%	11.7%	7.6%	9.2%	4.9%	9.0%	3.8%	3.7%

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The discount rates (WACC) used to calculate the recoverable amounts for 2017 and 2016 have been divided into WACC after tax and WACC before tax as follows:

	WACC (after tax)		WACC (before tax)	
	2017	2016	2017	2016
Lauer-Fischer	6.1%	7.5%	9.4%	12.2%
CGM Deutschland	6.1%	7.5%	9.7%	12.3%
CGM Sweden	6.1%	7.5%	8.2%	10.3%
CGM US	6.1%	7.5%	8.0%	14.0%
CGM Denmark	6.1%	7.5%	8.2%	10.5%
CGM Clinical Österreich (Systema HIS)	6.5%	8.1%	9.2%	12.0%
CGM Italy	8.1%	10.2%	12.7%	17.5%
Qualità in Farmacia S.r.l.	8.1%	10.2%	12.0%	17.4%
Studiofarma	8.1%	10.2%	12.9%	17.6%
Intermedix Deutschland GmbH	6.1%	7.5%	9.5%	12.4%
Meditec GmbH	6.1%	7.5%	9.3%	12.1%
CGM Norway	6.1%	7.5%	8.4%	10.3%
Ifap	6.1%	7.5%	9.5%	12.6%
CGM Österreich	6.5%	8.1%	9.3%	12.0%
CGM Turkey	8.7%	11.0%	11.7%	11.0%
Innomed	6.5%	7.5%	9.3%	12.1%
CGM Solution	6.6%	8.2%	10.1%	14.9%
Imagine Editions SAS	6.6%	8.2%	10.0%	14.7%
CGM Netherlands	6.1%	7.5%	8.7%	11.1%
CGM Dentalsysteme	6.1%	7.5%	9.4%	12.4%
CGM Belgium	6.8%	8.4%	9.7%	15.2%
HCS	6.5%	8.1%	9.3%	12.0%
CGM Ceska republika	6.9%	8.5%	9.1%	11.3%
Turbomed Vertriebsund Service	6.1%	7.5%	10.0%	11.7%
CGM LAB International	6.1%-6.8%	7.5%-8.4%	8.2%	7.5%-15.4%
Labelsoft Clinical IT B.V.	6.1%	7.5%	–	10.5%
Farma3Tec S.r.l./ Mondofarma s.r.l.	8.1%	10.2%	12.6%	17.3%
Medical EDI Services (Pty) Ird.	–	10.2%	–	18.3%
Medicitalia S.r.l.	8.1%	10.2%	11.9%	16.3%
Stock Informatik Systeme (former Stock Gruppe)	–	7.5%	–	11.8%
Compufit BVBA	6.8%	8.4%	10.5%	15.4%
CGM Systema Deutschland	6.1%	7.5%	9.7%	12.0%
CGM Poland	7.0%	8.7%	9.1%	11.7%
CGM Schweiz	6.2%	–	7.6%	–
CGM LAB Sweden	6.1%	7.5%	8.2%	10.4%
Intermedix France SAS	6.6%	8.2%	10.1%	15.2%
Medigest	8.1%	10.2%	8.1%	13.7%
OWL	8.1%	10.2%	11.9%	14.9%
Vega	8.1%	10.2%	12.7%	17.4%
K-Line	6.1%		9.5%	
Barista	6.8%		9.6%	
ATX	6.8%		10.2%	
Farmages	8.1%		12.2%	
CGM France	6.6%	8.2%	10.0%	14.4%

For the financial year 2017, all impairment tests include debit balance and did not result in any impairment.

A 0.5 percentage point lower growth rate in the perpetuity value would result in an impairment loss of EUR 0 million. If the growth rate were 0.5 percentage points lower, the Group-wide surplus would be reduced by EUR 142.4 million.

A 1 percentage point increase in WACC would necessitate impairment of EUR -0.3 million. With a 1 percentage point increase in WACC, Group-wide coverage would be reduced by EUR 311.4 million.

A 2 percentage point higher WACC would result in an impairment of EUR -1.1 million. The Group-wide surplus would then be reduced by EUR 536.5 million.

Impairment losses that would arise from a change in the WACC and the growth rate of the perpetuity value were allocated as shown in the following table:

EUR '000	Surplus of recoverable amount (Headroom)	Lower growth rate by 0.5% in the terminal value	Higher cost of capital (WACC) by 1.0 percent	Higher cost of capital (WACC) by 2.0 percent
EBM	322	74	-212	-594
CGM Belgium	598	299	-62	-549
Total	920	373	-274	-1,143

d) Acquired software, customer relationships and brands

Acquired software, customer relationships and brands, along with goodwill, constitute the bulk of intangible assets of CompuGroup Medical SE. The following table provides an overview of these assets as well as their useful lives:

	31.12.2017 EUR '000	31.12.2016 EUR '000	Amortization until
Software from acquisitions			
Lauer-Fischer	4,493	5,612	30.06.2021
CGM US (former Visionary Gruppe)	847	1,709	31.08.2020
Systema HIS	2,718	3,425	31.08.2021
CGM US (former Noteworthy Gruppe)	716	1,513	28.02.2019
CGM Netherlands	1,276	1,923	31.12.2018
CGM LAB International	4,272	4,660	31.12.2028
Imagine-Gruppe	1,375	1,614	31.12.2023
Labelsoft	418	648	30.09.2024
CGM South Africa (former MED EDI)	907	1,098	31.12.2022
CGM Deutschland (former Stock)	864	667	30.04.2025
Compufit	467	555	31.03.2023
Other	22,036	18,086	
Total acquired software	40,388	41,510	
Customer contracts			
CGM Sweden	12,613	13,558	30.06.2038
CGM Norway	5,068	5,757	30.06.2038
CGM Denmark	5,277	5,549	30.06.2038
CGM US (former Visionary Gruppe)	17,653	21,192	31.08.2040
CGM Netherlands	9,764	10,823	31.12.2030
Innomed	6,808	7,375	31.12.2029
CGM Italy (incl. Effepieffe)	4,831	5,516	30.06.2029
CGM US (former Noteworthy Gruppe)	3,016	4,149	31.12.2024
Lauer-Fischer	11,790	12,427	30.06.2036
CGM Clinical Deutschland	2,042	3,224	30.06.2028
CGM LAB International	7,787	7,897	31.12.2043
Qualita in Farmacia (incl. Puntofarma)	3,253	3,521	31.07.2026

Consolidated Notes for the 2017 Financial Year *continued*

	31.12.2017 EUR '000	31.12.2016 EUR '000	Amortization until
Imagine-Gruppe	9,917	10,537	31.12.2033
CGM South Africa (former MED EDI)	6,011	6,477	31.12.2026
FARMA3TEC	3,286	3,990	31.08.2022
Vega	4,426	4,750	31.08.2031
Turbomed (former Micromedic)	5,080	1,498	30.09.2029
ATX	2,405	–	30.11.2030
Other	25,345	29,032	
Total Customer contracts	146,372	157,272	
Brands			
CGM US (former Visionary Gruppe)	504	1,148	31.08.2018
Lauer-Fischer	1,329	1,709	30.06.2021
CGM Clinical Österreich	1,286	1,658	31.08.2021
CGM Sweden	466	622	31.12.2020
CGM Netherlands	152	426	31.12.2017
CGM Clinical Deutschland	272	583	30.08.2019
CGM LAB International	1,947	2,069	31.12.2033
Vega	287	330	31.08.2024
Other	1,895	2,262	
Total brands	8,138	10,807	
Order backlog			
CGM Deutschland AG (former Stock-Gruppe)	78	362	30.04.2018
Other	0	14	
Total order backlog	78	376	

In 2017, as in 2016, there were no changes to the underlying useful lives of intangible assets.

e) Capitalized in-house services

In the 2017 financial year, EUR 16,806 thousand of in-house services (software development) were capitalized pursuant to the requirements of IAS 38 (previous year: EUR 10,318 thousand). These were valued at directly attributable production costs.

In accordance with IAS 23 borrowing costs related to capitalized in-house services in the amount of EUR 794 thousand (previous year: EUR 774 thousand) were additional capitalized. Amortization of capitalized in-house services was EUR 2,763 thousand (previous year: EUR 3,172 thousand) in the reporting period.

For more information about changes to intangible assets, refer to the separate appendix to the Notes "Changes in intangible assets and property, plant and equipment in the 2017 financial year".

f) Cumulative impairment charges

Intangible assets include cumulative impairment losses on goodwill from the 2008 to 2017 financial years in the amount of EUR 15.4 million; taking into account exchange rate effects as at balance sheet date. In the following, the individual items are described, which have led to impairments losses, using the historical exchange rates.

The impairment loss in the 2008 financial year relates to CGU CGM Turkey (formerly "Tepe International") and is broken down as follows: cooperation agreement EUR 5.9 million, software EUR 0.8 million and goodwill EUR 1.4 million (this asset was already depreciated in previous years due to permanently negative business development).

The impairment charge in 2012 resulted from an extraordinary impairment loss of EUR 1.0 million on goodwill for CGU CGM South Africa.

In the 2013 financial year, an extraordinary impairment loss of goodwill in the amount of EUR 0.9 million was recorded in CGU CGM Malaysia. Furthermore, the goodwill attributable to the "online portals" and "publishing business" segments, which are held for sale and classified as disposal groups, was impaired by EUR 0.2 million in the 2013 reporting year because the expected selling price (fair value less selling costs) was below the net of the attributable asset values of the business segments held for sale.

For the 2014 financial year, losses from impairments to goodwill came to a total of EUR 1.6 million, EUR 1.2 million of which was attributable to CGU Tekne and EUR 0.4 million to CGU CGM Slovensko.

Extraordinary impairment loss of goodwill in the amount of EUR 1.4 million was recorded, which was attributable to CGU CGM Switzerland (EUR 1.1 million) and CGU Farma3Tec/Mondofarma (EUR 0.3 million).

For 2016 extraordinary impairment charge of goodwill amounted to EUR 4.4 million, thereof EUR 4.1 million for CGU "CGM LAB International", EUR 0.3 million for CGU "Medigest Consultores" and EUR 27 thousand for CGU "CGM Switzerland".

In financial year 2017 there were no impairments.

Furthermore, the position "goodwill" includes amortization of EUR 5.4 million that resulted from financial years before the IAS/IFRS conversion.

g) Intangible assets from company acquisitions

The following additions to software, customer relationships and brands resulted from business combinations during the 2017 reporting period:

EUR '000	K-Line Praxis- lösungen GmbH	Barista Software BVBA	APV/HABA	Farmages	ATX	Other additions
Software	1	583	116	237	375	0
Customer relationships	1,451	457	157	1,280	2,420	252
Brands	87	67	45	22	108	0
Order backlog	0	0	0	0	0	0
Total	1,539	1,107	318	1,539	2,903	252

41. Property, plant and equipment

Overview of the development of property, plant and equipment 31 December 2017:

EUR '000	Purchase and production costs					Book value		
	01.01.2017	Additions from acquisitions	Additions	Disposals and transfers	Exchange rate differences	31.12.2017	31.12.2017	01.01.2017
Land and buildings	57,985	31	3,101	1,401	-4	62,514	49,521	46,691
Other facilities, furniture and office equipment	57,645	183	15,529	-5,694	-1,298	66,365	32,978	24,281
Payments on account and assets under construction	2,935	0	43	-2,608	-1	369	313	2,880
Total	118,565	214	18,673	-6,901	-1,303	129,248	82,812	73,851

Overview of the development of property, plant and equipment 31 December 2016:

EUR '000	Purchase and production costs					Book value		
	01.01.2016	Additions from acquisitions	Additions	Disposals and transfers	Exchange rate differences	31.12.2016	31.12.2016	01.01.2016
Land and buildings	52,416	0	6,696	-1,064	-64	57,985	46,691	41,815
Other facilities, furniture and office equipment	49,865	150	13,465	-5,998	163	57,645	24,281	17,483
Payments on account and assets under construction	1,151	0	2,951	-1,167	0	2,935	2,880	1,096
Total	103,433	150	23,112	-8,229	99	118,565	73,851	60,394

Due to differing depreciation periods for significant parts in relation to the total cost of the aircraft (component approach) please refer to chapter 16 b) "Other assets and property, plant and office equipment".

Impairment losses to property, plant and equipment were not recognized in 2017 or in 2016.

During the year, the Group did not capitalized any borrowing costs for property, plant and equipment. For details on the development of property, plant and equipment, please refer to the separate annex to the Notes "Development of intangible assets and property, plant and equipment in the 2017 financial year".

Consolidated Notes for the 2017 Financial Year *continued*

CGM Clinical Austria realized in 2009 a sale-and-lease-back agreement for a building in cooperation with a leasing company. The net book value of the building as per 31 December 2017 amounted to EUR 758 thousand. The corresponding lease liabilities are disclosed in other liabilities at their present value of EUR 891 thousand as of 31 December 2017.

42. Financial assets**a) Investments in associates and joint ventures (at equity)**

Investments in Associates and joint ventures	31.12.2017 EUR '000	31.12.2016 EUR '000
Joint Ventures:		
MGS Meine Gesundheit Services GmbH	3,897	4,209
Wikipharm S.r.L.	0	28
Fablab S.r.l.	2,790	0
CGM-Alstar Healthcare Solutions Sdn Bhd	1	0
Associated companies at equity:		
Gotthardt Informationssysteme GmbH	3,690	0
Mediaface GmbH	50	50
AxiService Nice S.a.r.l.	0	0
Technosante Nord-Picardie SAS	8	8
Smoove Software S.r.l.	285	285
N.O.R.D. GmbH	13	0
Total	10,734	4,580

Wikipharm S.r.L.

Due to the contribution of Intermedix Italia S.r.L into Fablab S.r.L. the shares in Wikipharm S.r.L. are simultaneously transferred to Fablab S.r.L.. For details see chapter C) 11.a) Changes in scope of consolidation.

MGS Meine-Gesundheit-Service GmbH

The AXA Group and CompuGroup Medical SE (CGM) have founded in 2015 the joint venture „MGS Meine-Gesundheits-Services GmbH“. Purpose of this strategical partnership is to fundamentally simplify the processes between customers who are insured, doctors, and private health insurance companies. The new company MGS has developed the new ePortal „Meine Gesundheit“. It interconnects all involved parties of the German market for the first time ever and will in future simplify especially the invoice management.

By joint-venture-agreement dated on 31. August 2017, the MGS-Beteiligungs GmbH, Koblenz, acquired 25,1 percent of the shares of MGS Meine-Gesundheit-Service GmbH. To this end the founding shareholder decided to increase capital of MGS Meine-Gesundheit-Service GmbH. Shareholder of MGS-Beteiligungs GmbH are Debeka Krankenversicherungsverein a.G., Koblenz, and Bayerische Beamtenkrankenkasse AG, Munich. As of 31. December 2017 CGM-Group still holds 37,5 percent of the shares of MGS Meine-Gesundheits-Services GmbH.

Summarized financial information regarding MGS Meine Gesundheit Services GmbH are as follows:

	2017 EUR '000	2016 EUR '000
Revenue	2,174	434
Depreciation and amortization	-1,899	-998
Interest income/Interest expense (-)	0	0
Income tax income/Income tax expense (-)	0	0
Income taxes for the period/Deferred income tax for the period	0	0
Profit or loss from continuing operations	-2,999	-2,262
Other comprehensive income	0	0
Total comprehensive income	-2,724	-2,826
	31.12.2017 EUR '000	31.12.2016 EUR '000
Current assets	7,475	3,994
thereof cash and cash equivalents	6,514	3,052
Non-current assets	9,512	9,988
Current liabilities	3,729	2,636
thereof current financial liabilities (excluding trade and other payables and provisions)	0	0
Non-current liabilities	0	0
thereof non-current financial liabilities (excluding trade and other payables and provisions)	0	0
Net assets	13,258	11,346
Group's share of the net assets of the joint venture at the beginning of the period	4,209	2,867
Portion of the comprehensive oncome	-1,248	-1,413
Received dividends during the period	936	2,755
Group's share of the net assets of the joint venture at the end of the period	3,897	4,209
Carrying amount of the interest in joint venture at the end of the period	3,897	4,209

Consolidated Notes for the 2017 Financial Year *continued***Gotthardt Informationssysteme GmbH**

Summarized financial information regarding Gotthardt Informationssysteme GmbH are as follows:

	2017 EUR '000
Revenue	19,017
Depreciation and amortization	-387
Interest income/Interest expense (-)	3
Income tax income/Income tax expense (-)	-73
Income taxes for the period/Deferred income tax for the period	-21
Compensation to minorities	-136
Profit or loss from continuing operations	-18,403
Other comprehensive income	0
Total comprehensive income	0
	31.12.2017 EUR '000
Current assets	3,980
thereof cash and cash equivalents	1,147
Non-current assets	2,713
Current liabilities	3,991
thereof current financial liabilities (excluding trade and other payables and provisions)	2,876
Non-current liabilities	1,581
thereof non-current financial liabilities (excluding trade and other payables and provisions)	0
Net assets	1,121
Group's share of the net assets of the joint venture at the beginning of the period	0
Portion of the comprehensive income	136
Received dividends during the period	3,554
Group's share of the net assets of the joint venture at the end of the period	3,690
Carrying amount of the interest in joint venture at the end of the period	3,690

Fablab S.r.l.

Summarized financial information regarding Fablab S.r.l. are as follows:

	2017 EUR '000
Revenue	1,815
Depreciation and amortization	-28
Interest income/Interest expense (-)	16
Income tax income/Income tax expense (-)	-3
Income taxes for the period/Deferred income tax for the period	-29
Profit or loss from continuing operations	-1,821
Other comprehensive income	0
Total comprehensive income	-50
	31.12.2017 EUR '000
Current assets	3,380
thereof cash and cash equivalents	877
Non-current assets	77
Current liabilities	3,195
thereof current financial liabilities (excluding trade and other payables and provisions)	241
Non-current liabilities	74
thereof non-current financial liabilities (excluding trade and other payables and provisions)	0
Net assets	188
Group's share of the net assets of the joint venture at the beginning of the period	0
Portion of the comprehensive income	-38
Received dividends during the period	2,828
Group's share of the net assets of the joint venture at the end of the period	2,790
Carrying amount of the interest in joint venture at the end of the period	2,790

Detailed disclosures in accordance to IFRS 12 for the other investments in associates and joint ventures at equity are not provided, as these companies are of minor importance.

b) Other participations

The other participations are measured at acquisition costs and comprise the following:

	31.12.2017 EUR '000	31.12.2016 EUR '000
Other participations		
ic med EDV-Systemlösungen für die Medizin GmbH	7	7
AES Ärzteservice Schwaben GmbH	10	10
BFL Gesellschaft des Bürofachhandels mbH & Co.KG	26	26
CD Software GmbH	59	59
Daisy-NET S.c.a r.l.	6	3
Technosante Toulouse S.A.S.	4	4
Consalvo Servizi S.r.l.	0	0
Savoie Micro S.a.r.l.	20	20
Practice Perfect Medical Software (PTY) Limited	38	39
MED-IT GmbH & Co. KG	2	-
Total	172	168

Consolidated Notes for the 2017 Financial Year *continued***43. Income tax receivables, income tax payables and deferred tax****a) Income tax receivables and liabilities**

	31.12.2017 EUR '000	31.12.2016 EUR '000
Income tax assets	6,521	3,904
Benefit of tax losses to be carried back to recover taxes paid in prior periods	490	80
Income tax asset	6,030	3,824
Income tax liabilities	15,261	16,067
Income tax liability	15,217	15,344
Other	44	723
Total	8,740	12,163

Income tax receivables (6,521 thousand; previous year: EUR 3,904 thousand) comprise current income tax receivables of the Group companies. Income tax payables (EUR 15,261 thousand; previous year: EUR 16,067 thousand) mainly relate to current tax expenditure (EUR 15,217 thousand; previous year: EUR 15,370 thousand).

b) Deferred tax assets and liabilities

The deferred tax rates abroad in the reporting period ranged between 0 and 33.99 percent (previous year: 0 and 35.0 percent).

The deferred tax calculation is based on the tax regulations that are in force or enacted at the reporting date. Deferred tax receivables and liabilities will be netted if deferred tax assets and liabilities are balanced, if a legal claim to offset exists, and if the deferred tax receivables and liabilities are with the same tax authority.

Group Company	Substantial evidences according to IAS 12.82
KoCo Connector	Due to the positive business prospects within the framework of the nationwide Telematic-Infrastructure-Rollout, the existing loss carry forward will probably be completely consumed, which is why a deferred tax asset has been generated on the total amount of the existing tax loss carry forward.
CGM US	Due to the economic development of the company the tax loss carry forward will probably not be completely consumed, which is why the deferred tax asset has been generated only up to the amount of the deferred tax liability.
CGM South Africa	Following the merger of MedEDI into CGM South Africa, due to the expecting future profitability, a full utilization of the existing tax loss carry forward is still expected. On this account, a deferred tax asset has been generated on the total amount of the existing tax loss carry forward.
Turbomed Vertriebs- und Service	Due to the positive business prospects within the framework of the nationwide Telematic-Infrastructure-Rollout, the existing loss carry forward will probably be completely consumed, which is why a deferred tax asset has been generated on the total amount of the existing tax loss carry forward.
Xdent	Both, the present and the future economic development of the company (organic increase and expansion in the Asian market) give reason to assume that the existing tax losses carry forward are completely used, which is why a deferred tax asset is generated on this amount.
CGM Schweiz	Due to the economic development of the company the tax loss carry forward will probably not be completely consumed, which is why the deferred tax asset has been generated only up to the amount of the deferred tax liability.
CGM Lab Deutschland	Due to the economic development of the company the tax loss carry forward will probably not be completely consumed, which is why a deferred tax asset has been generated by reference to the minimum taxation conditions of the German taxation law, which have been used for the calculation of the deferred tax liabilities.
CGM Lab International	Due to the economic development of the company the tax loss carry forward will probably not be completely consumed, which is why a deferred tax asset has been generated by reference to the minimum taxation conditions of the German taxation law, which have been used for the calculation of the deferred tax liabilities.
Medigest	Due to the economic development of the company the tax loss carry forward will probably not be completely consumed, which is why the deferred tax asset has been generated only up to the amount of the deferred tax liability.
CGM Malaysia	Due to the economic development of the company the tax loss carry forward will probably not be completely consumed, which is why the deferred tax asset has been generated only up to the amount of the deferred tax liability.
OWL Computer	Due to the economic development of the company the tax loss carry forward will probably not be completely consumed, which is why the deferred tax asset has been generated only up to the amount of the deferred tax liability.

Consolidated Notes for the 2017 Financial Year *continued*

The amount of deferred tax assets and liabilities by balance sheet items of the consolidated balance sheet as of 31 December 2017 is determined in the following overview:

	01.01.2017		Recognized in profit or loss		Recognized in OCI		Acquisitions/Disposals		31.12.2017	
	Deferred tax assets EUR '000	Deferred tax liabilities EUR '000	Deferred tax assets EUR '000	Deferred tax liabilities EUR '000	Deferred tax assets EUR '000	Deferred tax liabilities EUR '000	Deferred tax assets EUR '000	Deferred tax liabilities EUR '000	Deferred tax assets EUR '000	Deferred tax liabilities EUR '000
Intangible assets	669	65,254	-564	-5,207	0	0	0	2,320	104	62,367
Property, plant and equipment	1,741	420	71	246	0	0	0	0	1,812	665
Financial assets	0	0	0	206	0	0	0	0	0	206
Inventories	40	3	3,708	8	0	0	0	0	3,749	11
Trade receivables	4,252	4,929	-2,071	310	0	0	0	0	2,181	5,239
Other financial assets	1,053	4,934	-137	-4,341	0	0	0	0	916	594
Provisions for post-employment benefits	2,606	187	628	-259	99	78	-2	0	3,330	5
Derivative financial instruments	0	0	0	0	0	0	0	0	0	0
Trade payables	97	368	1,329	-53	0	0	0	0	1,427	315
Other liabilities	8,286	2,159	-3,697	838	0	0	0	0	4,590	2,997
Tax losses carried forward	17,628	0	-6,274	0	0	0	0	0	11,354	0
	36,373	78,253	-7,007	-8,252	99	78	-2	2,320	29,463	72,399
Offset vs. deferred tax liabilities	-28,705	-28,705					5,283	5,283	-23,422	-23,422
Total	7,668	49,548	-7,007	-8,252	99	78	5,281	7,603	6,041	48,977

* Including changes due to currency effects.

The netting of deferred tax assets with deferred tax liabilities in the current reporting year in the amount of EUR 5,283 thousand is shown in the column "acquisitions/disposals" and relates to deferred taxes for the Group as a whole.

The amount of deferred tax assets and liabilities by balance sheet items of the consolidated balance sheet as of 31 December 2016 is determined in the following overview:

	01.01.2016		Recognized in profit or loss		Recognized in OCI		Acquisitions/Disposals		31.12.2016	
	Deferred tax assets EUR '000	Deferred tax liabilities EUR '000	Deferred tax assets EUR '000	Deferred tax liabilities EUR '000	Deferred tax assets EUR '000	Deferred tax liabilities EUR '000	Deferred tax assets EUR '000	Deferred tax liabilities EUR '000	Deferred tax assets EUR '000	Deferred tax liabilities EUR '000
Intangible assets	229	54,634	440	8,484	0	0	0	2,136	669	65,254
Property, plant and equipment	1,710	347	31	72	0	0	0	0	1,741	420
Financial assets	57	0	-57	0	0	0	0	0	0	0
Inventories	77	0	-37	3	0	0	0	0	40	3
Trade receivables	922	8,322	3,330	-3,393	0	0	0	0	4,252	4,929
Other financial assets	2,185	471	-1,132	4,464	0	0	0	0	1,053	4,934
Provisions for post-employment benefits	2,949	43	-784	-143	441	286	0	0	2,606	187
Derivative financial instruments	0	0	0	0	0	0	0	0	0	0
Trade payables	1,129	182	-1,032	186	0	0	0	0	97	368
Other liabilities	8,446	852	-160	1,307	0	0	0	0	8,286	2,159
Tax losses carried forward	6,679	0	10,949	0	0	0	0	0	17,628	0
	24,383	64,851	11,550	10,980	441	286	0	2,136	36,373	78,253
Offset vs. deferred tax liabilities	-16,433	-16,433					-12,272	-12,272	-28,705	-28,705
Total	7,949	48,418	11,550	10,980	441	286	-12,272	-10,136	7,668	49,548

* Including changes due to currency effects.

c) Tax loss carried forward

	31.12.2017	31.12.2016
Total losses carried forward	217,147	203,518
thereof tax deductible	62,019	60,248
thereof unused tax losses carried forward	69,073	61,145
thereof forfeitable	86,055	82,124

The recognized losses carried forward of EUR 62,019 thousand (previous year: 60,248 thousand) can currently be carried forward and used unlimited. At balance sheet day, tax losses carried forward exist in several foreign subsidiaries, which are not recognized as it is not foreseeable if they can be used in the future. Depending on the profit situation of the subsidiaries and tax legislation, this current assessment can change and indicate adjustments in future years. For these tax losses carried forward by EUR 69,073 thousand (previous year: EUR 61,145 thousand), no deferred tax assets were recognized, as it is currently expected that these tax losses carried forward cannot be used within the tax-related earnings planning. Tax loss carried forward of EUR 86,055 thousand (previous year: EUR 82,124 thousand) can no longer be used for tax purposes. The major part of this not usable tax loss carried forward comes from the foreign subsidiary CompuGroup Medical Inc. in the United States.

Deferred tax liabilities mainly concern capitalized in-house services at Group level and acquired software licenses, customer relationships and brands from company acquisitions as well as deferred taxes from other consolidation adjustments (particularly elimination of intercompany results).

Deferred taxes are distributed as follows based on their expected future recoverability:

	Deferred tax assets		Deferred tax liabilities	
	31.12.2017 EUR '000	31.12.2016 EUR '000	31.12.2017 EUR '000	31.12.2016 EUR '000
Utilization expected within 12 months	3,914	3,412	7,637	6,916
Utilization expected after more than 12 months	2,127	4,256	41,339	42,632
Total	6,041	7,668	48,976	49,548

44. Inventories

	31.12.2017 EUR '000	31.12.2016 EUR '000
Raw materials and supplies	141	251
Products	12,356	5,020
Total	12,497	5,271

Inventories are mostly hardware components. Inventories including write-downs of inventories developed as follows:

	2017 EUR '000	2016 EUR '000
Depreciation on inventories		
Inventories as of 1 January	5,271	6,515
Changes in the scope of consolidation	248	179
Write-downs in the reporting period	-19	-50
Changes in inventory (addition/reduction)	7,024	-1,373
Changes in exchange rate	-26	0
Inventories as of 31 December	12,497	5,271

There are no inventories pledged as security for liabilities. The inventories reported on the balance sheet date won't remain longer than 1 year in inventory.

Consolidated Notes for the 2017 Financial Year *continued***45. Trade receivables**

In the financial year, allowances (including derecognition) were made in the amount of EUR 6,186 thousand (previous year: EUR 5,384 thousand).

Specific valuation allowances are based on the age of receivables throughout the Group. There are exceptions to the specific valuation allowances based on aging. This concern significant receivables in business areas where regular long-term contractual relationships exist (e.g. hospital business, ASP service). Such receivables are tested individually for impairment on a case-by-case basis.

Doubtful debts are always impaired individually. The book value of the trade receivables, reduced by specific valuation allowances, correspond closely to the fair value due to the short-term nature of the receivables. Receivables that are either individually not significant or receivables with a similar default risk are grouped together and tested collectively for impairment by using historical experience. Due to the breadth of its customer base as well as the non-existence of correlations, there no significant concentration of credit and default risks at CGM Group.

a) Trade receivables (regions)

	31.12.2017 EUR '000	31.12.2016 EUR '000
Trade receivables (without PoC)	118,919	96,986
thereof domestic	51,912	25,190
thereof foreign	67,007	71,796
Trade receivables PoC	8,364	31,926
thereof domestic	2,558	25,730
thereof foreign	5,806	6,196
Total	127,283	128,912

b) Age of receivables, breakdown of provisions

	31.12.2017 EUR '000	31.12.2016 EUR '000
Trade receivables	127,283	128,912
thereof not overdue and not impaired	90,900	84,926
thereof overdue but not impaired		
– overdue 0-3 months	6,862	7,468
– overdue 4-6 months	3,402	690
– overdue 7-12 months	950	393
– overdue 12-18 months	970	705
– overdue 18-24 month	306	112
– overdue more than 24 month	2,746	768
thereof impaired	34,893	45,579
Specific provisions	-13,745	-11,729

The receivables presented above include amounts that are due at the reporting date, but the Group has recognized no specific valuation allowances. This is because the creditworthiness of the customers do not change, and the collectability and value of the receivables are considered for granted. The fair value of the amounts that are due, but not impaired greater than twelve months amounted to EUR 3,551 thousand (previous year: EUR 1,420 thousand) at the reporting date.

The changes of the specific valuation allowances in the reporting period are shown in the following table (Exchange-rate-related changes in individual value adjustments are not shown separately for materiality reasons):

	2017 EUR '000	2016 EUR '000
Specific provisions 01.01.	11,729	9,666
Exchange differences	-353	0
Utilization	-2,776	-665
Reversal	-1,041	-2,656
Addition	6,186	5,348
Additions from company acquisitions	0	36
Individual value adjustments 31.12.	13,745	11,729

With respect to the trade receivables that are neither impaired nor past due, there are no indications as of the reporting date that the debtors will not meet their payment obligations.

c) Receivables from the percentage of completion method (PoC)

Receivables from contracts recognized under the PoC method relate to projects in the Hospital Information Systems business, Ambulatory Information Systems, and Internet Service Providing.

	31.12.2017 EUR '000	31.12.2016 EUR '000
Contract costs incurred and recognized contract profits	11,857	41,524
– less recognized losses	-1,091	-2,163
– less advance payments received	-2,402	-7,435
Net Position of Trade receivables from PoC	8,364	31,926
– less recognized losses under other financial liabilities	0	-442
– less advance payments received under other financial liabilities	-757	-1,013
Net result of trade receivables from PoC	7,607	30,471

Explanation of construction contracts with a credit balance

The receivables from contracts are recognized using the Percentage of Completion (PoC) totalled EUR 11,857 thousand (previous year: EUR 41,524 thousand), less recognized losses of EUR 1,091 thousand (previous year: EUR 2,163) and less advanced payments received by EUR 2,402 thousand (previous year: EUR 7,435). The decline compared to 2016 is almost entirely attributable to the Gematik project.

Explanation of construction contracts with a debit balance

Construction contracts recognized using the Percentage of Completion (PoC) with a debit balance, are shown under the liabilities. This include received partial billings which rose the amount of the corresponding receivables from PoC (EUR 757 thousand; previous year EUR 1,013 thousand) disclosed as other non-financial liabilities (previous year: other financial liabilities). As well as accrued and recognized losses from construction contracts with a debit balance in total (EUR 0 thousand; previous year EUR 442 thousand) which are shown under the other financial liabilities.

d) Receivables from financial leases

Receivables from finance lease mainly belong to the Group companies of Lauer-Fischer GmbH, CGM Clinical Austria, Qualita in Farmacia S.r.l. and Turbomed Vertriebs und Service GmbH, who offer their customer the leasing of hardware (including all peripheral devices) for up to five years. Income from these lease contracts is recognized in the income statement as sales revenue. The contracts are classified as finance leases (IAS 17.10).

Consolidated Notes for the 2017 Financial Year *continued*

The following table provides an overview of the maturity of future lease payments and the interest component of the finance lease receivables reported under trade:

	31.12.2017			31.12.2016		
	Future minimum lease payments EUR '000	Interest component EUR '000	Present value of future leasing receivables EUR '000	Future minimum lease payments EUR '000	Interest component EUR '000	Present value of future leasing receivables EUR '000
< 1 year	6,422	1,225	5,197	6,479	1,293	5,186
1–5 years	12,400	1,290	11,110	12,940	1,365	11,575
> 5 years	69	1	68	100	3	97
Total	18,891	2,516	16,375	19,519	2,661	16,858

46. Other financial assets

Other financial assets are broken down as follows:

	31.12.2017		31.12.2016	
	Short-term EUR '000	Long-term EUR '000	Short-term EUR '000	Long-term EUR '000
Leasing receivables	24	0	0	63
Long term loans	909	597	998	514
Creditors with debit balances	961	0	250	0
Asset value of liability insurance	0	88	0	119
Deposits	81	790	0	0
Other financial assets	144	34	589	149
Total	2,119	1,509	1,837	845

Bonds amounting to EUR 871 thousand (previous year: EUR 691 thousand) are reported under other financial assets and not under other non-financial assets like it was reported in the previous year.

The following aging analysis provides information on the maturities and impairments of the other financial assets:

	31.12.2017 EUR '000	31.12.2016 EUR '000
Book value – Other financial assets	3,628	2,682
thereof not overdue and not impaired:	3,584	2,284
thereof overdue but not impaired		
– overdue 0-3 months	0	82
– overdue 4-6 months	0	21
– overdue 7-12 months	13	20
– overdue 12-18 months	0	73
– overdue 18-24 months	2	14
– overdue more than 24 months	28	74
thereof impaired	0	114

The fair value of the other financial assets, which are due but not impaired, corresponds approximately to the book value at the reporting date. Impairments directly lead to a reduction of the book value.

47. Other non-financial assets

Other non-financial assets are broken down as follows:

	31.12.2017 current EUR '000	31.12.2016 current EUR '000
Security deposit	–	691
Input tax surplus receivable	896	3,745
Prepayments for future periods	8,419	8,207
Other	1,036	1,057
Total	10,351	13,700

Compared to the previous year, deposits of EUR 871 thousand (previous year: EUR 691 thousand) are not reported under other non-financial assets but under other financial assets.

As in the previous year, there were no non-financial assets classified as non-current at the balance sheet date.

48. Cash and cash equivalents

	31.12.2017 EUR '000	31.12.2016 EUR '000
Cash and cash equivalent	26,377	25,350
Restricted cash	3,985	2,405
Total	30,362	27,755

Under the 31 December 2017, the balance sheet cash and cash equivalents include restricted cash in the amount of EUR 3,985 thousand, which are held by subsidiaries in countries with exchange restrictions (South Africa EUR 3,971 thousand). These are subject to legal restrictions on transfers and are therefore not available for general use to the group.

Positive balances at banks relate to current accounts with an interest rate of 0 percent per year.

For changes in cash and cash equivalents, we refer to the cash flow statement.

49. Assets held for sale

In previous years, a building was reported as a non-current asset held for sale and measured at the lower of its carrying amount and fair value less costs to sell. The fair value was determined as part of a market value appraisal.

Due to an unpredictable unfavorable market development, the building could not be sold in 2015 or 2016, despite intensive efforts. As at 31 December 2016, the respective office building was reported as EUR 1,222 thousand as a non-current asset held for sale.

At the end of April 2017, the building that was allocated to the reporting segment AIS (formerly HPS I) was sold for EUR 1,160 thousand. Until the sale, there was a result from the revaluation of TEUR -62 in the 2017 financial year.

50. Equity**a) Subscribed capital**

The Company's subscribed capital consists of:

	31.12.2017 EUR '000	31.12.2016 EUR '000
Issued and fully paid ordinary shares		
53,219,350 nominal shares of € 1.00 each	53,219	53,219
Authorized capital		
26,609,675 nominal shares of € 1.00 each	26,610	26,610

Consolidated Notes for the 2017 Financial Year *continued***(i) Issued and fully paid ordinary shares**

The Company has only one class of shares. These do not grant entitlement to a fixed dividend. The share capital is divided into 53,219,350 bearer shares, having the securities ID number 543730 (ISIN: DE0005437305).

(ii) Approved capital

With the approval of the Supervisory Board, the Management Board is authorized to increase the Company's subscribed capital by up to EUR 26,609,675.00 through either an one-time or multiple issuance of new shares for cash and/or in-kind capital contributions until 17 May 2021 (authorized capital). In principle, shareholders must be granted a subscription right to utilize authorized capital; however, under certain conditions the Management Board is also authorized, provided the approval of the Supervisory Board, to exclude the statutory subscription right of the shareholders. Furthermore, with the approval of the Supervisory Board, the Management Board was authorized to determine further details of capital increases from authorized share capital.

(iii) Conditional capital

According to the resolution of the Annual General Meeting of 9 May 2012, the Management Board was given the authorization to issue convertible bonds (and similar instruments) as well as the corresponding conditional capital. The authorization was limited to a EUR 500 million framework and is limited to 8 May 2017.

The Annual General Meeting on May 10, 2017, has resolved to renew this authorization. The authorization is limited to 9 May 2022 and again limited to a limit of EUR 500 million.

b) Treasury shares

As of 31 December 2017, CompuGroup Medical SE held 3,495,731 treasury shares which is equivalent to 6.57 percent of equity capital. The calculated value attributable to subscribed capital is EUR 3,495,731. The number of own shares held by the company is based on the following acquisitions and divestments:

Financial Year	Buyback program period	Number of shares	Purchase price interval	Average weighted purchase price per share
2007		532,350		
2008	23 January to 18 April 2008	500,000	EUR 8.6430 to 12.6788	EUR 10,3276
2008	22 July to 14 October 2008	500,000	EUR 3.8243 to 5.4881	EUR 4,8426
2008	15 October to 30 December 2008	428,736	EUR 3.1519 to 4.4279	EUR 3,8849
2009	5 January to 31 March 2009	403,876	EUR 3.4100 to 4.7402	EUR 4,0810
2009	1 April to 27 May 2009	500,000	EUR 3.8357 to 4.5988	EUR 4,1578
2009	4 June to 31 December 2009	125,746	EUR 4.1853 to 6.0000	EUR 5,6852
2010			no buyback	
2011	17 August to 31 December 2011	225,553	EUR 7.6496 to 9.3140	EUR 8,3033
2012	2 January to 30 June 2012	101,835	EUR 8.4429 to 9.9764	EUR 8,8488
2012	9 July to 31 December 2012	282,843	EUR 11.30 to 14.00	EUR 13,2397
2013	18 December 2013 (Issue)	-105,208		EUR 5,7643
2014			no buyback	
2015			no buyback	
2016			no buyback	
2017			no buyback	
Total		3,495,731		

In accordance with the resolution by the Annual General Meeting on 14 May 2009, the Management Board was authorized to acquire treasury shares. This authorization was valid until 14 November 2010. By resolution of the Annual General Meeting on 19 May 2010, it was terminated and replaced by a new authorization. After the amendment of section 71, paragraph 1, No. 8 of the German stock Corporation Act (AktG – Aktiengesetz), by the Act on the Implementation of the Shareholders' Rights Directive (ARUG – Gesetz zur Umsetzung der Aktionärsrechterichtlinie), an authorization is allowed to last up to five years.

According to the resolution of the Annual General Meeting on 19 May 2010, the Management Board was granted authorization, expiring on 19 May 2015, to purchase own shares. This authorization was cancelled in accordance with the resolution of the annual general meeting on 20 May 2015 and replaced by a new resolution.

This authorization may be exercised in whole or for partial amounts, on one or more occasions, for one or more purposes, by the Company or by third parties for its account. The authorization took effect on 21 May 2015 and remains valid until 20 May 2020.

In accordance with a resolution by the Annual General Meeting on 20 May 2015, the Management Board was authorized in accordance to paragraphs 71 Abs. 1 No. 8 AktG to acquire treasury shares up to 10 percent of the subscribed capital, either on the date of the adoption of the resolution or, if the amount is lower, on the date when the authorization is exercised. The company's acquired shares together with its other existing treasury shares held by the company or attributable to it according to paragraphs 71d and 71e AktG must at no time account for more than 10 percent of the registered capital on the date of the adoption of the resolution. The acquisition may also be exercised by Group companies dependent on the company within the meaning of section 17 AktG or by third parties for their account or for the account of the company. This authorization may not be used for the purposes of trading with company's own shares.

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

- (1) If the share purchase is performed on the stock exchange, the purchase price for one share may not be more or less than 10 percent of the Company's unweighted average share price, which was calculated on the five trading days prior to the purchase date by the closing auction of the Xetra trading system (or a corresponding successor system) on the Frankfurt am Main stock exchange.
- (2) If the share purchase is performed through a public purchase offer to all shareholders or through a public invitation to all shareholders to submit offers for sale, the purchase price for one share (without ancillary purchase costs) may not be more or less than 20 percent of the Company's unweighted average share price, which is calculated by the closing auction of the Xetra trading system (or a corresponding successor system) on the Frankfurt am Main stock exchange on the five trading days prior to the public notification of the invitation to submit such an offer.
- (3) The purchase offer or the invitation to submit offers for sale may entail further conditions. If the purchase offer is oversubscribed or, in case of an invitation to submit offers for sale, a number of equivalent bids are placed but not all are accepted, the acceptance must be in proportion to the number of shares offered. Preferential acceptance of small numbers of up to 100 shares offered per shareholder as well as rounding according to commercial principles may be provided for.

The Management Board is entitled to utilize the treasury shares, which it purchased according to this authorization, as follows:

- (1) With the approval of the Supervisory Board treasury shares may be sold on the stock exchange or by means of an offer to all shareholders. With the approval of the Supervisory Board, they may be sold by other means provided the consideration for the sale is in cash and the sales price at the time of sale is not significantly lower than the share price for the same class of shares on the stock exchange. The pro rata amount of the share capital attributable to the number of shares sold under this authorization, together with the proportion of the share capital of new shares that have been issued since the shareholders' resolution for this authorization, i.e. since 21 May 2015, due to any authorizations for share issues from authorized capital in accordance with section 186, paragraph 3, sentence 4 AktG, may not exceed 10 percent of the Company's share capital.
- (2) With the approval of the Supervisory Board, these shares may be offered and transferred to third parties for the purposes of direct or indirect acquisition of companies, Company shares or equity investments in companies.
- (3) With the approval of the Supervisory Board, these shares may be offered and sold as consideration, so that the Company or one of its subsidiaries are issued copyright or third party intellectual property rights by third parties, particularly patents or brands, or licenses to such rights, for the marketing and development of CompuGroup Medical products.
- (4) The shares may also be utilized to exercise options arising from share options granted by the Company.
- (5) The shares may be used to meet obligations or rights to acquire CompuGroup shares, especially from and in connection with bonds/convertible bonds issued by the company or its affiliates.
- (6) In addition, with the approval of the Supervisory Board, the shares may also be cancelled without the need of an additional Annual General Meeting. The proportion of the remaining shares in relation to share capital will not be increased by cancellation. In deviation to this, the Management Board may decide not to reduce the subscribed capital but instead to increase the proportion of the subscribed capital of the remaining shares in accordance with section 8, paragraph 3 AktG. In this case, the Management Board is entitled to adjust the number of shares in the articles of association.

The authorizations regarding (1) to (6) may be used in whole or for partial amounts, on one or more occasions, separately or jointly. Upon the instruction of the Management Board, the authorizations regarding (1) to (5) may also be used by dependent companies or companies that are majority-owned by the Company or by third parties acting on the Company's account.

Shareholders' subscription rights on treasury shares is excluded as far as thesis shares are used according to the above authorizations in (1) to (5).

Consolidated Notes for the 2017 Financial Year *continued***c) Reserves (equity reserves, retained earnings, and dividends with regard to equity instruments)**

The changes in CGM Group's reserves are as follows:

	31.12.2017 EUR '000	31.12.2016 EUR '000
Balance as at 1 January	208,640	181,628
Group net income	31,250	44,530
Actuarial gains and losses	-36	-115
Dividend distribution	-17,403	-17,403
Additional purchase of shares from minority interests after control	-972	0
Change in scope of consolidation	5	0
Issue of own shares	0	0
Other Changes	0	0
Balance as at 31 December	221,484	208,640

The most significant developments in 2017 are described below:

The consolidated net income (attributable to the shareholders of the parent company) for the period of EUR 31,250 thousand (previous year: EUR 44,530 thousand) was transferred to the reserves.

By resolution of the Annual General Meeting of 10 May 2017, a dividend of EUR 17,403 thousand (previous year: EUR 17,403 thousand) was issued to shareholders, which corresponds to a dividend of EUR 0.35 (previous year: EUR 0.35) per dividend-bearing share.

In addition, the actuarial loss of EUR -36 thousand (previous year: EUR -115 thousand) decreased the reserves (equity reserves, retained earnings and dividends with regard to equity instruments).

By acquiring additional shares of non-controlling interests after having already held a majority interest the reserves decreased by EUR -972 thousand (previous year: EUR 0 thousand).

If a dividend is recommended, it will be conditional on shareholder approval at the Annual General Meeting in 2018. Therefore, it is not recognized as a liability in the consolidated financial statements. There are no corporate tax effects resulting from dividend payments for the Company. The size of the dividend depends exclusively on the single-entity financial statements of CompuGroup Medical SE. For the financial year 2017 an amount of EUR 0.35 will most likely be proposed as the dividend per dividend-bearing share, which corresponds to a total amount of EUR 17,403 thousand.

d) Reserves from foreign currency conversion

	31.12.2017 EUR '000	31.12.2016 EUR '000
Balance as at 1 January	-23,737	-22,264
Currency conversion differences	3,500	-1,473
Realized gains and losses	0	0
Balance as at 31 December	-20,237	-23,737

Exchange differences arising from converting foreign operations from their functional currency to the Group's reporting currency (EUR) are recognized directly in other comprehensive income and accumulated in the foreign currency conversion reserve. Conversion differences which were recognized earlier in the foreign currency conversion reserve (conversion of net assets of foreign operations) are reclassified to the income statement once a partial or complete sale of the foreign operation has been performed.

e) Non-controlling interests

Non-controlling interests by company

	KoCo Connector GmbH		IS Informatik Systeme Gesellschaft für Informationstechnik mbH		SF Sanità S.r.l. and Farloyalty S.r.l.		OWL Computer		Vega Informatica e Farmacia S.r.l.		HABA Computer AG		Total	
	2017 EUR '000	2016 EUR '000	2017 EUR '000	2016 EUR '000	2017 EUR '000	2016 EUR '000	2017 EUR '000	2016 EUR '000	2017 EUR '000	2016 EUR '000	2017 TEUR	2016 EUR '000	2017 EUR '000	2016 EUR '000
Amount of holding	100%	95%	60%	60%	60%/51%	60%/51%	70%	70%	85%	85%	98%	-	-	-
Voting interest	100%	50%	60%	60%	60%/51%	60%/51%	70%	70%	75%	75%	98%	-	-	-
Equity of non-controlling shares	0	-634	953	710	157	98	-6	22	760	627	22	1,886	823	
Dividends paid to non-controlling shares	0	0	0	0	25	39	0	0	0	0	0	25	39	
Assets	-	16,418	3,272	2,662	734	493	97	50	3,867	8,772	1,609	9,579	28,395	
Liabilities	-	29,111	850	860	400	282	154	13	2,446	4,592	900	4,750	34,858	
Net result	-	-5,150	607	287	174	64	-93	-7	883	317	-142	1,429	-4,489	

Changes in non-controlling interests in the 2017 financial year

	31.12.2017 EUR '000	31.12.2016 EUR '000
Balance as at 1 January	823	319
Share of profit for the year	432	-60
Addition OWL Computer	0	23
Addition Vega Informatica e Farmacia S.r.l.	0	580
Addition HABA Computer Aktiengesellschaft	22	
Addition K-LINE Praxislösungen GmbH	65	
Dividend distribution to non-controlling shareholder	-25	-39
Additional purchase of shares from minority interests after control		
KoCo Connector GmbH	634	0
K-LINE Praxislösungen GmbH	-65	0
Balance as at 31 December	1,886	823

Addition of HABA Computer Aktiengesellschaft and K-LINE Praxislösungen GmbH

Due to the access of minorities from the acquisition of HABA Computer Aktiengesellschaft and K-LINE Praxislösungen GmbH, reference is made to section C) 11. b) "Acquisitions and disposals of companies".

Share Acquisition of further interests in subsidiaries

In the financial year 2017, CGM Group carried out the following transactions with non-controlling shareholders:

Share Acquisition of K-Line Praxislösungen GmbH, Deutschland

In May 2017 the share transfer of the remaining 5 percent of the shares of the K-Line Praxislösungen GmbH to CompuGroup Medical Deutschland AG was passed by the Extraordinary Shareholders' Meeting. The purchase price amounted to TEUR 280 thousand and was recognized as acquisition of shares after control (as an equity transaction) and has also been paid out by the full amount at closing date. CompuGroup Medical Deutschland AG now holds 100 percent of the shares in K-Line.

Share Acquisition of KoCo Connector GmbH (former Aktiengesellschaft), Deutschland

In the course of a closed settlement agreement in January 2017, the remaining 5 percent of the shares in KoCo Connector GmbH (formerly Aktiengesellschaft) were transferred to CompuGroup Medical SE. The purchase price of the remaining shares totalled EUR 122 thousand (reseller contract and fixed purchase price component). As of the balance sheet date, the fixed purchase price component of EUR 87 thousand was fully paid. The portion of EUR 35 thousand attributable to the reseller contract was recognized under short-term purchase price liabilities. CompuGroup Medical SE now holds 100 percent of the shares in KoCo Connector GmbH (formerly Aktiengesellschaft).

Consolidated Notes for the 2017 Financial Year *continued*

The impact of the change in the CGM Group's share on the equity attributable to shareholders of the parent company in the financial year 2017 is as follows:

EUR '000	2017		2016
	KoCo Connector GmbH	K-LINE Praxislösungen GmbH	Qualità in Farmacia
Book value of acquired non-controlling interests	-634	65	0
Purchase price paid to non-controlling shareholders	87	280	0

51. Retirement plans and provisions for post-employment benefits and other non-current provisions

Benefits provided by CGM Group's pension scheme consist of defined benefit and defined contribution plans for employees in Germany, the Netherlands, Austria, Switzerland and the United States.

a) Defined contribution plans

In Germany, all employees in the Group companies are offered a defined contribution plan under the German statutory pension insurance, which the employer is required to contribute to. The employer contribution is tied to the current contribution rate of 9.35 percent (employer's share) in relation to the pension-based employee remuneration. In addition, the CGM Group offers occupational pension schemes (direct insurance) in the form of deferred compensation without increasing employer payments.

Furthermore, there are defined contribution plans (401k plans as direct insurance) for employees in the United States. Through its 401k plan, our subsidiary in the United States pays deferred compensation elements for employees into certain tax-advantaged retirement savings plans (retirement plans), which are offered by financial institutions. With the 401K plans, employees have a portion of their remuneration transferred to the savings plan with employers having the option of increasing their contributions. An increase in employer contributions is currently not offered by the US subsidiary.

In addition to receiving this benefit, eligible employees in other countries, such as Austria or the Netherlands, benefit from respective country-specific regulations or other individual agreements.

The expenses of EUR 14,386 thousand (previous year: EUR 11,407 thousand) recognized in income statement represent CGM Group's contributions to these defined contribution plans in accordance with the contributions stipulated therein. As a result of major changes in the number of employees, particularly in Germany, the USA and Belgium, for which defined contribution plans exist, there was a significant year-on-year increase in the expenses recognized in the income statement.

b) Defined benefit plans

CGM Group offers defined benefit plans for employees in Germany, Switzerland and the Netherlands.

CompuGroup Medical Deutschland AG has non-forfeitable pension obligations to current and former employees. The Company has pledged firmly guaranteed retirement and disability pensions to three former employees upon reaching retirement age. In comparison to the previous year, the number of former employees for the vested pension obligation has increased by one person. This increase resulted from the first-time recognition of the pension obligation of a managing partner whose business operations was acquired in the scope of an asset year.

Moreover, in case of a former employee passing away, surviving dependents are entitled to a lump-sum payment. For two active employees of CompuGroup Medical Deutschland AG, there are guaranteed retirement and disability pension commitments effective at the time of retirement. In case of these employees passing away, surviving dependents are entitled to 60 percent of the guaranteed pension.

Another six active employees of CompuGroup Medical Deutschland AG have received firm commitments for fixed benefits at retirement age. These employees have not been guaranteed disability pension commitments or death benefits. The agreed retirement age for all current and former employees entitled to benefits is 65 years. In the event of early retirement of current and former employees who are entitled to benefits, the agreed benefits are reduced by 0.5 percent per month until the agreed retirement age of 65 has been reached.

Employees at the subsidiary CGM Schweiz AG are granted pensions financed by a pension fund consisting of employer and employee contributions and income generated on investments. Due to the inclusion of statutory minimum pension provision pursuant to Swiss law through BVG (Swiss occupational pension plans), the pension plan is recognized as a defined benefit plan. All provisions are non-forfeitable. Under the legal requirements, the employer is obliged to make employer contributions that enable the pension fund to finance the minimum level of provision. The pension fund is managed through a trust board comprising employee and employer representatives, which manages and monitors the benefit plan and asset investment.

In the Netherlands, the Company offers defined benefit commitments depending on salary and years of service. The details of the pension plan are listed in the following table:

Eligibility requirements	All employees older than 21 years
Normal retirement age	Age 65
Early retirement age	Not applicable
Pensionable	12 times fixed monthly salary including holiday allowance, with a maximum of EUR 220,500
Offset	The part of the salary with no pension accrual
Pension Base	Pensionable salary less offset
Pensionable service normal retirement	Number of (part-time weighted) years from beginning of service until normal retirement age (maximized on 44 years)
Indexation Actives	Uncapped salary indexation
Indexation Deferred/Pensioners	Uncapped inflation indexation
Pension scheme	Defined contribution system
Retirement pension	Sum of 2.25 percent times pension base per year
Survivor's pension	54.44 percent of retirement pension (fully funded)
Orphans's pension	10.89 percent of retirement pension
Waiver of premium disability	Yes

In 2013, the defined benefit pension plan for the Dutch subsidiary's active employees was changed. All active employees were transferred to a defined contribution plan. For former employees entitled under the defined benefit pension, the commitment remains unchanged.

Furthermore, there are also severance payment provisions for the majority of Austrian employees pursuant to Section 23 Angestelltengesetz (Salaried Employees Act) and Section 2 Arbeiterabfertigungsgesetz (Employees Severance Pay Act), which, in accordance with IAS 19, are considered post-employment benefits. These severance payment provisions generally correspond to a severance payment in relation to payments that eligible employees receive at the point of departure from the company. Payment of the severance pay entitlement is also impacted by the reason for the employee's resignation. In addition, surviving dependents will be paid 50 percent of existing severance payment benefits.

The defined benefit pension plan in Turkey shows a similar structure as the aforementioned pension benefits of Austrian employees and is also considered as a post-employment benefit in accordance with IAS 19. In accordance with social legislation, the company is obliged to pay a lump-sum severance payment for each separating employee. This obligation arises when the employee has completed at least one year of employment, his employment was terminated without cause, when he will be called up for military service, dies or reaches retirement age. The amount payable consists of one month's salary for each year of work. The amount is limited to TRY 4,297.21 (EUR 1,159) per working year.

Similar provisions have been recognized in other foreign subsidiaries for statutory programs such as the TFR Fund (Italian Civil Code Article 2120) in Italy which are considered post-employment benefits in accordance with IAS 19. Essentially, the TFR fund is equivalent to severance pay, which eligible employees receive at the point of departure from the company.

The present value of the defined benefit obligation from the underlying plan is determined using a discount rate based on the yields from prime fixed-rate corporate bonds. The discount rate used by the CGM Group is based on the iBoxx indices, which are applied to the defined benefit obligation with matching maturities.

Consolidated Notes for the 2017 Financial Year *continued*

In general, CGM Group is exposed to the following actuarial risks with regard to the existing CGM Group benefit plans:

- **Longevity risk:** The present value of the defined benefit obligation for the corresponding benefit plans is determined based on the best estimate of the probability of death of each beneficiary both during employment and after termination. An increase in the life expectancy of eligible employees leads to an increase in the plan liability.
- **Salary risk:** The present value of the defined benefit obligation for appropriate benefit plans is determined based on the expected future salaries of eligible employees. Accordingly, salary increases raise the benefit obligation associated with the plan.
- **Inflation risk:** An increase in the long-term inflation assumption would primarily affect the expected pension increase and the expected increase in pensionable salaries.

Risks arising from the payment of benefits to family members (surviving dependent benefits) of eligible employees are partially reinsured by an external insurance company.

Provisions for post-employment benefits are accounted for using the current pension reports, all of which were compiled by external service providers (actuaries).

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

Principle Assumptions used for the purposes of the actuarial valuations were as follows:	Germany		Austria		Netherlands		Italy		France		Switzerland		Turkey	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016	31.12.2017	31.12.2016	31.12.2017	31.12.2016	31.12.2017	31.12.2016	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Discount rate(s) in %	1.2	1.1	1.5	1.5	2.15	1.7	1.5	1.3	1.7	1.7	0.7	0.65	11.4	11.5
Expected rate(s) of salary increase in %	n/a	n/a	2.0	2.0	n/a	n/a	3.0	3.0	3.0	3.0	1.5	1.25	6.0	5.0
Pension growth rate(s) in %	1.75	1.75	n/a	n/a	1.9	1.8	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

Domestic pension obligations are based on the typical mortality rates applied in Germany (according to Heubeck 2005 G). For the Netherlands, pension obligations are based on the mortality rates according to the "AG Prognosetafel 2016".

The amounts recognized in other comprehensive income for the defined benefit plans are as follows:

	31.12.2017 EUR '000	31.12.2016 EUR '000
Service cost:		
Current service cost	976	1,963
Past service cost and (gain)/loss from settlements	5	155
Net interest expense	199	317
Components of defined costs recognised in profit or loss	1,180	2,435
Remeasurement on the net defined benefit liability:		
Return on plan assets (excluding amounts included in net interest expense)	-175	-85
Actuarial gains and losses arising from changes in demographic assumptions	-361	-1,011
Actuarial gains and losses arising from changes in financial assumptions	-368	1,538
Actuarial gains and losses arising from experience adjustments	963	-190
Adjustments for restrictions on the Defined benefit asset	0	0
Other effects		16
Components of defined benefit costs recognised in other comprehensive income	57	269
Total	1,237	2,704

The annual cost in the financial year 2017 of EUR 1,180 thousand (previous year: EUR 2,435 thousand) is recognized in full in the personnel expenses of CGM Group. Defined benefit expenses arising from the revaluation of the net liability for defined benefit plans in the amount of EUR 57 thousand (previous year: EUR 269 thousand) were recognized in other comprehensive income.

The defined benefit obligations developed as follows in the financial year:

	Present value of pension commitment EUR '000	Fair value of plan assets EUR '000	Total EUR '000
Balance as at 1 January 2016	21,770	-2,940	18,830
Current service costs	1,963	0	1,963
Interest income/cost	411	-93	317
Remeasurement (gains)/losses:	0	0	0
Return on plan asset (excluding amounts included in net interests)	0	-85	-85
Actuarial gains and losses arising from changes in demographic assumptions	-1,011	0	-1,011
Actuarial gains and losses arising from changes in financial assumptions	1,538	0	1,538
Actuarial gains and losses arising from experience adjustments	-190	0	-190
Past service cost, including losses/(gains) on curtailments	-51	0	-51
Payment of debts/disposal of assets by plan settlement	186	0	186
Liabilities assumed in a business combination	0	0	0
Liabilities assumed in mergers and transfers	0	0	0
Exchange rate differences on foreign pension plans	90	-63	27
Benefits paid	-1,689	766	-923
Contributions from the employer	0	-464	-464
Contributions from plan participant	214	-214	0
Balance as at 31 December 2016	23,231	-3,094	20,136
Balance as at 1 January 2017	23,231	-3,094	20,136
Current service costs	976	0	976
Interest income/cost	177	22	199
Remeasurement (gains)/losses:	0	0	0
Return on plan asset (excluding amounts included in net interests)	0	-175	-175
Actuarial gains and losses arising from changes in demographic assumptions	-361	0	-361
Actuarial gains and losses arising from changes in financial assumptions	-368	0	-368
Actuarial gains and losses arising from experience adjustments	963	0	963
Past service cost, including losses/(gains) on curtailments	0	0	0
Payment of debts/disposal of assets by plan settlement	-23	0	-23
Liabilities assumed in a business combination	33	0	33
Liabilities assumed in mergers and transfers	0	0	0
Changes from disposal of subsidiaries	-121	120	-1
Exchange rate differences on foreign pension plans	-85	0	-85
Benefits paid	-144	-307	-451
Contributions from the employer	0	326	326
Contributions from plan participant	-183	183	0
Balance as at 31 December 2017	24,095	-2,926	21,169

The fair values of plan assets (defined benefit obligations for Germany and the Netherlands) are entirely attributable to the asset class "reinsurance". The existing "reinsurance" assets are "qualifying insurance policies" and therefore plan assets not traded in an active market.

The average weighted duration of the pension obligation is 10 years for Germany, 29 years for the Netherlands, 18 years for Austria, 15 years for Italy, 22 years for France and 19 years for Switzerland and for Turkey 9 years.

Consolidated Notes for the 2017 Financial Year *continued*

Changes in provisions for post-employment benefits in the last five years are shown in the following table:

	31.12.2011 EUR '000	31.12.2012 EUR '000	Adjusted 31.12.2013 EUR '000	31.12.2014 EUR '000	31.12.2015 EUR '000	31.12.2016 EUR '000	31.12.2017 TEUR
Present value of pension commitment	8,432	14,805	11,490	19,982	21,770	23,231	24,095
Present value of plan assets	-2,667	-3,925	-990	-2,555	-2,940	-3,094	-2,926
Shortfall	5,765	10,880	10,500	17,427	18,830	20,136	21,169

A total EUR 568 thousand (previous year: EUR 643 thousand) is expected to be paid into pension plans in the 2018 financial year. These contributions will be recognized as expenses in the income statement.

Sensitivity analysis

The primary actuarial assumptions used to determine the defined benefit obligation in CGM Group are the discount rate, expected salary increases, and inflation expectations. The sensitivity analyzes presented below are based on the best estimate of potential changes in the assumptions as of the balance sheet date, 31 December 2017. When presenting the effect of a change in one actuarial assumption in the sensitivity analysis, other actuarial assumptions remain unchanged.

	Increase		Decrease	
	in %	EUR '000	in %	EUR '000
Impact of the discount rate on pension commitment	1.00%	-4,072	1.00%	4,754
Impact of future salary increases on pension commitment	0.50%	917	0.50%	-873
Impact of future pension development on pension commitment	0.50%	730	0.50%	-657

For the above sensitivity analysis, it is unlikely that the scenario in question will occur in reality because it is likely that a change in one actuarial parameter assumption will correlate with others. The sensitivity analysis of the defined benefit obligations applies the same method used to calculate pension provisions recognized in the balance sheet.

c) Anniversary provision

The anniversary provision for the German companies (EUR 3,636 thousand; previous year: EUR 3,395 thousand) are calculated with a discount rate of 1.2 percent (previous year: 1.1 percent). In accordance with the option in IAS 19, the interest component is not presented as part of the interest income but as part of the operating cost and includes a change of interest of effectively 0.1 percent. The social security payments were considered with a 19.325 percent of the anniversary provision. The calculation is based on the "Richttafel 2005 G" from Prof. Dr. Klaus Heubeck.

An anniversary provision amounting to EUR 145 thousand was calculated for the Netherlands with a discount rate of 2.15 percent. The calculation was based on the "Prognosetafel AG2016".

52. Financial liabilities (current and non-current)

The financial liabilities of CGM Group comprise the following:

	31.12.2017		31.12.2016	
	current EUR '000	non-current EUR '000	current EUR '000	non-current EUR '000
Current liabilities to banks	34,241	318,118	42,073	316,122
Other loans	5,444	8,852	3,911	12,104
Total	39,685	326,970	45,984	328,226

All liabilities classified as finance leases are reported as other loans and are therefore part of the financial liabilities.

In the financial year 2017, new liabilities to banks and other loans amounting to EUR 85,021 thousand (previous year: EUR 70,140 thousand) were obtained and existing liabilities to banks and other loans amounting to EUR 95,173 thousand (previous year: EUR 68,398 thousand) were redeemed.

a) Liabilities to banks

Liabilities to banks comprise the following:

	Book value 31.12.2016 EUR '000	Book value 31.12.2017 EUR '000	thereof in Euro EUR '000	Interest rate as at 31.12.2017 in %	Fair value as at 31.12.2017 EUR '000
Konsortialkredit	308,475	314,091	314,091	1.6	314,091
IKB 5	13,068	11,668	11,668	2.85	12,208
Saar LB	15,000	15,000	15,000	0.6	14,652
SEB	3,751	0	0	–	0
Sparkasse Koblenz	3,351	2,735	2,735	3.3	2,905
Saar LB	1,127	939	939	2.75	976
Kreissparkasse Biberach	844	719	719	2.75	746
Saar LB	7,000	6,000	6,000	2.85	6,278
Commerzbank	3,600	78	78	–	78
Mediocredito Italiano SpA	308	205	205	1.6	205
MPS	258	129	129	0.74	129
Other	1,413	795	795	–	795
Total	358,195	352,359	352,359		353,063

As of 31 December 2017, the Group had gross debt of EUR 352.4 million (previous year: EUR 358.2 million) and held EUR 30.4 million (previous year: EUR 27.8 million) in cash.

On 23 September 2014, CGM entered into a new syndicated loan agreement for a total loan amount of EUR 400.0 million. The syndicated loan consists of a "term loan facility" (hereinafter "TLF") of EUR 225.0 million and a "revolving credit facility" (hereinafter referred to as "RLF") of EUR 175.0 million. The syndicated loan has a maturity of 5 years. The TLF is payable on a pro rata basis in equal payments of EUR 15.0 million on 31 January and 31 July of each year, beginning from 31 July 2015. Outstanding loan amounts at maturity of the TLF will be settled through a one-off payment. The RLF must be repaid at the end of each interest period, but can be obtained again immediately thereafter. The interest period for the RLF can be chosen arbitrarily by the CompuGroup Medical SE. The interest rate is based on the appropriate EURIBOR rate for the chosen interest period plus a margin based on the relation between the consolidated net debt and an adjusted consolidated EBITDA.

As of 31 December 2017, EUR 150.0 million of the TLF and EUR 165.0 million of the RLF were utilized. Furthermore, loan origination fees with an amount of EUR 3.2 million were incurred, which are expensed over the term of the loan agreement. There is no interest rate hedge for the syndicated loan. The loan is granted on the condition of complying with contractually agreed financial covenants. The loan agreement is secured by a joint payment guarantee of a number of Group subsidiaries (i.e., a liability contingent on non-payment of CompuGroup Medical SE). In the current financial year 2017, CompuGroup Medical fully complied with all financial covenants in the existing credit agreements.

In December 2016, CompuGroup Medical SE entered into a loan agreement with Landesbank Saar, Saarbrücken, amounting to EUR 15.0 million. The loan term is 3.75 years and the interest rate is based on the EURIBOR dated two bank working days before pay-out or expiration of the respective fixed interest period plus a fixed margin of 0.85 percent until 30 September 2020. The loan value as of 31 December 2017 amounts to EUR 15 million.

In December 2013, a loan amounting to EUR 14.9 million, which was refinanced through KfW, was obtained from IKB Deutsche Industriebank, Düsseldorf (IKB No. 5). As of 31 December 2017, the loan value is EUR 11.7 million. The loan IKB No. 5 has a fixed interest rate of 2.85 percent. The interest is payable at the end of each financial quarter. The principal repayment is done quarterly at an amount of EUR 467 thousand; the first repayment was due on 31 March 2016. The loan term is 10 years.

In December 2013, CompuGroup Medical Deutschland AG entered into a mortgage loan agreement with Landesbank Saar, Saarbrücken, with the amount of EUR 10.0 million to finance the office buildings at "Maria Trost 25" and "Carl-Mand-Strasse." This loan has a term of ten years and has a fixed interest rate of 2.85 percent. The loan value as of 31 December 2017 was EUR 6.0 million.

In 2012, CompuGroup Medical Deutschland AG entered into a mortgage loan agreement with Sparkasse Koblenz with the amount of EUR 6.1 million to finance the acquisition of the office building "Maria Trost 21". This loan has a term of ten years and a fixed interest of 3.3 percent. The loan value as of 31 December 2017 is EUR 2.7 million.

Consolidated Notes for the 2017 Financial Year *continued*

Other liabilities to banks include:

- Overdraft facilities amounting to EUR 0.1 million from Commerzbank
- A loan of CompuGroup Medical Deutschland AG with a mortgage amounting to EUR 3.0 million and a payment guarantee by the parent company was granted as collateral. The loan value as of 31 December 2017 is EUR 0.9 million.
- A loan of CGM Clinical Deutschland GmbH with a mortgage of EUR 3.0 million was granted. The loan values as of 31 December 2017 was EUR 0.7 million.
- Two loans of Italian subsidiaries. The loan values as of 31 December 2017 were EUR 0.3 million.

b) Other loans

As of 31 December 2017 other loans amounted to EUR 14,296 thousand (previous year: EUR 16,015 thousand). These mainly comprise the funding of the "OneGroup Project", which is classified under the position other financial liabilities as "sale-and-lease-back" finance lease agreement.

c) Expected payments for financial liabilities

EUR '000	Total financial debt	thereof: liabilities to banks
2018	39,685	34,241
2019	292,328	288,577
2020	23,314	18,860
2021	4,008	3,882
2022	3,370	3,238
2023	3,687	3,561
2024	128	0
2025 and after	135	0
Total	366,655	352,359

53. Purchase price liabilities (current and non-current)

	31.12.2017			31.12.2016		
	current EUR '000	non-current EUR '000	Total EUR '000	current EUR '000	non-current EUR '000	Total EUR '000
Resulting from Business Combination						
Innomed GmbH	7,583	0	7,583	7,288	0	7,288
LMZ AG	90	0	90	90	0	90
Puntofarma	0	0	0	129	0	129
BS Concept Realization BV	0	0	0	125	0	125
Opas Sozial	100	0	100	100	0	100
KoCo Connector GmbH	350	0	350	1,098	0	1,098
Medicitalia	0	445	445	315	445	760
FARMA3TEC	0	1,682	1,682	0	1,651	1,651
Xdent (vormals Tekne)	0	479	479	494	470	964
CGM Poland	0	10	10	0	9	9
Compufit	100	0	100	150	0	150
Vega	413	493	906	413	894	1,307
CSI Calabria	0	43	43	83	43	127
Micromedic	0	0	0	250	0	250
Barista	303	1,214	1,517	0	0	0
Farmages	140	955	1,095	0	0	0
Total	9,078	5,321	14,399	10,535	3,512	14,047

Changes to previous year

Puntofarma: The still contractually outstanding purchase price of the received assets of Puntofarma, which have been recognized under the position current purchase price liabilities on 31 December 2016 with an amount of EUR 129 thousand, have been completely paid in the first half-year 2017.

KoCo Connector: As a result of an out-of-court settlement in January 2017 the parties agreed on an acquisition price with two components: reseller contract and a fixed purchase price component.

These were recognized as a current purchase price liability amounting to EUR 1,098 thousand as at 31 December 2016 and represented the purchase price derived from the out-of-court settlement for the call options exercised in November 2014 for the acquisition of 45 percent of the shares in KoCo Connector GmbH. The fixed purchase price component was paid out in the first half of 2017 in the amount of EUR 783 thousand. The remaining amount of EUR 315 thousand is further recognized under the position current purchase price liabilities.

In addition, there are recognized EUR 35 thousand under the current purchase price liabilities for the remaining 5 percent of the shares in KoCo Connector GmbH. Further details can be found in section E) 50. e) Non-controlling interests.

XDENT (formerly Tekne): In 2013, CompuGroup Medical Italia SpA, a 100 percent subsidiary of CompuGroup Medical SE, acquired 80 percent of the shares in CGM XDENT Software S.r.l. with registered office in Ragusa, Italy. For the acquisition of the remaining 20 percent of the shares, put and call options has been arranged. The amount of the expected payment amount from the put option for the transfer of the first 10 percent of the remaining shares amounted to EUR 500 thousand and has been recognized as a discounted purchase price liability on 31 December 2016. In July 2017, the option has been exercised and the strike price has been paid completely in the amount of EUR 500 thousand. CompuGroup Medical Italia SpA now holds 90 percent of the shares in CGM XDENT Software S.r.l. The options for the second 10 percent are explained under the non-current purchase price liabilities.

Medicitalia: In August 2015, CompuGroup Medical Italia SpA, a 100 percent subsidiary of CompuGroup Medical SE, acquired 90 percent of the shares in Medicitalia S.r.l., Italy. The purchase price amounted to EUR 3,150 thousand and has been paid out already by an amount of EUR 2,835 thousand. The still contractually outstanding purchase price payment of EUR 315 thousand, which was shown as current purchase price liability as at 31 December 2016, has been paid out completely in the financial year 2017.

Vega: In 2016, CompuGroup Medical Italia Holding S.r.l., a 100 percent subsidiary of CompuGroup Medical SE, acquired 75 percent of the shares in Vega Informatica e Farmacia S.r.l. with registered office in Pavia, Italy. The purchase price amounted to EUR 4,125 thousand and has been paid out by an amount of EUR 3,300 thousand on 31 December 2016. The still contractually outstanding purchase price payments of EUR 413 thousand has been paid out in the third quarter 2017. The remaining purchase price is still recognized under the purchase price liabilities.

Micromedic: In 2016 Turbomed Vertriebs- und Service GmbH, a 100 percent subsidiary of CompuGroup Medical SE, acquired 100 percent of the shares in Micromedic GmbH with registered office in Neuss, Germany. The purchase price amounted to EUR 1,900 thousand and has been paid out by an amount of EUR 1,650 thousand on 31 December 2016. The still contractually outstanding purchase price payments of EUR 250 thousand has been paid out in the first half-year 2017.

CSI Calabria: The still contractually outstanding purchase price of the acquired assets of CSI Calabria in October 2016, which have been recognized under the position current purchase price liabilities on 31 December 2016 with an amount of EUR 83 thousand, have been completely paid in the second half-year of 2017.

BS Concept Realization BV: The share purchase agreement includes an earn-out agreement that stipulates an additional purchase price payment of 15 percent of the revenues that will occur in the second year after the date of acquisition ("Second Year Realized Revenue"). The expected payment from this earn-out agreement was recognized on 31 December 2016 as current purchase price liability in the amount of EUR 125 thousand. The purchase price liability recognized in the balance sheet was released as of 31 December 2017, as the contractually agreed conditions for receiving an additional purchase price payment were not met.

Consolidated Notes for the 2017 Financial Year *continued*

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

Innomed GmbH: Purchase price liability from the put option of non-controlling shareholders for the remaining 29.7 percent of Innomed shares. The purchase price is based on the estimated average EBITDA in 2016 and 2017 multiplied by six. Furthermore, undistributed profits of EUR 3,810 thousand since the financial year 2010 are proportionately (at 29.7 percent) recognized as a purchase price liability (EUR 7,583 thousand). The put options may be exercised from 1 January 2014 until 31 December 2018.

LMZ AG: In the course of the acquisition of LMZ AG in 2015, EUR 90 thousand were retained as security, which corresponds to 10 percent of the purchase price. Due to a pending lawsuit regarding the amount of the outstanding purchase price liability, the payment, lowered by a potential reduction of the purchase price, will likely take place in 2018.

KoCo Connector GmbH: Current portion of the outstanding purchase price payment in the amount of EUR 350 thousand for the purchase price consisting of two components (reseller contract and fixed purchase price component).

"Opas Sozial": Contractual earn-out agreement securing 20 percent of the revenue from software maintenance and service contracts as well as license sales from the "OPAS Sozial" business segment for the past three financial years. The amount to be paid from the earn-out agreement is recognized by CGM as a purchase price liability with the amount of EUR 100 thousand.

CompuFit: The contractual earn-out clause with a yearly earn-out of EUR 50 thousand and a duration of four years.

Vega: According to the signed share purchase agreement, the agreed purchase price is due in several tranches. As of the balance sheet date, the purchase price previously recognized as non-current purchase price liability (discounted with 2.5 percent) is now recognized as current purchase price liability in the amount of EUR 413 thousand, due to a maturity in 2018.

Barista: Furthermore, some contingent consideration in form of earn-out agreements have been made. This includes an additional annual purchase price payment, which results on basis of fixed defined sales volumes for the following years. The expected payable amount of these earn-out agreements amounts to EUR 1,517 thousand and has a retention of five years. The expected payment amount for the financial year 2018 in the amount of EUR 303 thousand is recognized as current purchase price liability.

Farmages: According to the signed share purchase agreement, the purchase price for 52 percent of the shares in Farmages amounts to EUR 944 thousand and has been paid out in the amount of EUR 664 thousand at closing date. The agreed purchase price is due in several tranches and the current portion is recognized in the amount of EUR 140 thousand as current purchase price liability as at 31 December 2017.

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

Medicitalia: A call option concerning the acquisition of the outstanding 10 percent of the company shares was agreed upon, which is valued at six times the EBITDA, achieved in the last annual financial statements prior to the exercise of the option. The purchase price amounts to 10 percent of the value of the call option. The expected payment from the call option for the remaining 10 percent of the shares in Medicitalia amounts to EUR 445 thousand at the balance sheet date.

Farma3Tec: A put and call option for the acquisition of the remaining 20.02 percent of shares has been agreed upon. The holder of the put option has the right, for a period of one to five years after the acquisition date, to sell to CGM Group all of the remaining 20.02 percent of the shares at the following, fixed conditions:

- One year after the acquisition: EUR 1,620 thousand
- Two years after the acquisition: EUR 1,640 thousand
- Three years after the acquisition: EUR 1,680 thousand
- Four years after the acquisition: EUR 1,720 thousand

A discount rate of 2.5 percent is used for the purchase price liabilities.

XDENT (formerly Tekne): The exercise period of the call option for the second 10 percent will run from 1 January 2019 to 30 June 2019. The exercise period of the put option for the second 10 percent will run from 1 July 2019 to 31 December 2019. The amount of the expected payment resulting from the put option for the transfer of the second tranche of 10 percent of the outstanding shares amounts to EUR 500 thousand. A discount rate of 2.5 percent is used for the purchase price liability.

Vega: A call/put option concerning the acquisition of the outstanding 10 percent of the shares in Vega was agreed upon, which has a fair value of EUR 493 thousand as of the balance sheet date and was recognized as a non-current purchase price liability.

CSI: The long-term part of the outstanding purchase price payment to acquire the assets "CSI". The payment will occur 24 months after acquisition date.

Barista: The non-current portion of EUR 1,214 thousand of the annual purchase price payments, resulting from earn-out agreements.

Farmages: The contractually outstanding purchase price is recognized at closing date in the non-current purchase price liabilities- discounted with 0.8 percent – with an amount of EUR 138 thousand.

In addition, a call/put option on the acquisition of the remaining 48 percent of the shares in Farmages was agreed, which was recognized in the non-current purchase price liabilities at closing date in the amount of EUR 818 thousand.

54. Trade payables

	31.12.2017 EUR '000	31.12.2016 EUR '000
Trade payables	43,944	31,381

Trade payables amounting to EUR 43,944 thousand (previous year: EUR 31,381 thousand) have a maturity of up to one year. Liabilities from trade payables pertaining to companies acquired in the financial year 2017 amounted to EUR 811 thousand.

55. Other provisions

The development of current provisions for personnel and other provisions for the financial year 2017 is as follows:

in EUR '000	Personnel expenses	Guarantee and sales commitments	External year-end accounting costs	Legal charges	Others	Total
Balance as at 1 January 2017	23,462	324	1,581	1,699	2,729	29,795
Changes in exchange rates	-243	-5	-15	-23	-63	-349
Addition from first time consolidation	261	0	18	0	144	423
Disposals from first time consolidation	-2	0	0	-70	0	-71
Additions	23,721	713	1,947	968	2,740	30,089
Utilization	-18,753	-306	-1,416	-394	-2,683	-23,553
Releases	-2,495	0	-169	-379	-54	-3,097
Balance as at 31 December 2017	25,951	725	1,947	1,800	2,813	33,237

The development of current provisions for personnel and other provisions for the prior-year period 2016 is as follows:

in EUR '000	Personnel expenses	Guarantee and sales commitments	External year-end accounting costs	Legal charges	Others	Total
Balance as at 1 January 2016	20,974	393	1,447	1,613	4,655	29,083
Changes in exchange rates	-18	1	-1	-31	-4	-53
Addition from first time consolidation	64	0	0	0	114	178
Additions	20,549	70	1,397	1,094	6,326	29,435
Utilization	-15,227	-130	-1,103	-664	-7,056	-24,181
Releases	-2,879	-10	-160	-312	-1,305	-4,667
Balance as at 31 December 2016	23,462	324	1,581	1,699	2,729	29,795

Provisions for personnel expenses result primarily from provisions for wages and salaries (2017: EUR 15,186 thousand; previous year: EUR 12,741 thousand). In addition, the position includes bonuses and commissions (2017: EUR 3,140 thousand; previous year: EUR 3,115 thousand), vacation provisions (2017: EUR 6,579 thousand, previous year: EUR 5,615 thousand), and overtime provisions (2017: EUR 1,047 thousand, previous year: EUR 923 thousand). These are calculated on the basis of the underlying hourly rates and social security deductions.

The provisions for guarantees relate to contractual commitments in connection with the installation of hospital software solutions.

The provisions formed for legal charges in the 2017 financial year largely stem from the subsidiaries CGM Solutions France (EUR 407 thousand), CGM LAB France (EUR 179 thousand), CGM Italy (EUR 158 thousand), Intermedix France (EUR 174 thousand), Imagine Editions SAS France (EUR 494 thousand). They generally pertain to legal disputes with former employees and customers.

Provisions for guarantees and legal charges are, by their very nature, subject to higher levels of uncertainty. The other provisions mainly relate to current provisions. Only the provisions for guarantees and warranty include a portion that would be expected at a later date than 12 months after the reporting date. Expenses resulting from unwinding discounted amounts are not separately disclosed for reasons of materiality.

Consolidated Notes for the 2017 Financial Year *continued***56. Other financial and non-financial liabilities and derivative instruments****a) Other financial liabilities**

Other financial liabilities are broken down as follows:

	31.12.2017		31.12.2016	
	current EUR '000	non-current EUR '000	current EUR '000	non-current EUR '000
Leasing liabilities	97	879	95	902
Loans	1,793	0	42	0
Liability from PoC	0	0	442	0
Wages and salary Liability	2,681	0	2,846	0
Debtors with credit balances	866	0	538	0
Financing of SAP "OneGroup Project"	3,554	7,973	3,785	11,213
Liability for purchase land and building	0	0	2,800	0
Other financial liabilities	72	166	881	353
Total	9,063	9,018	11,429	12,468

The position other loans mainly include loans from the former fully consolidated Italian subsidiary Intermedix Italia S.r.l., now Fablab S.r.l. totalling EUR 1,725 thousand.

Liabilities from finance leases are as follows, whereby – differing to the previous year – the “OneGroup Project” is included in the presentation.

	31.12.2017			31.12.2016		
	Future minimum lease payments EUR '000	Interest component EUR '000	Present value of future leasing receivables EUR '000	Future minimum lease payments EUR '000	Interest component EUR '000	Present value of future leasing receivables EUR '000
Financial lease liabilities						
< 1 year	3,933	282	3,651	4,253	373	3,880
1-5 years	8,814	346	8,468	12,216	600	11,616
> 5 years	419	35	385	560	61	499
Total	13,166	663	12,503	17,029	1,034	15,995

Of the present value of the lease liabilities in the amount of EUR 12,503 thousand, EUR 11,527 thousand are attributable to the “OneGroup Project”. These liabilities correspond to assets with a book value of EUR 17,172 thousand (previous year: EUR 16,793 thousand), which are reported under intangible assets.

The sale-and-lease-back agreement with the lease company includes the following points:

- The leasing company acquires all rights of use and other rights arising in the development of the system solution against payment of the project costs and commits to leave the leased object of CompuGroup Medical SE during the term of the contract.
- The maximum purchase price (maximum project costs) is EUR 35.0 million.
- The term of the agreement is undetermined and can be terminated for the first time after 36 months.
- The monthly rate is 1.654% of the purchase cost. The calculation of the instalments is based on an assumed contract term of at least 60 months.
- In the case of ordinary termination, CompuGroup Medical SE is obliged to pay the lease company the following amount:
 - At the end of the 36th month 39.23%,
 - At the end of the 54th month 9.9%,
 - At the end of the 60th month 0.0%,
 - Thereafter 0%.

The contract with the lease company was based on the same obligations to maintain certain financial covenants as for syndicated loans. In the case of an infringement, the lease company has the right to withdraw from the contract in whole or in part.

CGM Clinical Austria entered into a sale-and-lease-back agreement for a building in cooperation with a lease company in 2009. The resulting lease liabilities are disclosed in other liabilities at their present value of EUR 891 thousand (previous year: EUR 975 thousand) as of 31 December 2017.

b) Other non-financial liabilities

Other non-financial liabilities are broken down as follows:

	31.12.2017		31.12.2016	
	current EUR '000	non-current EUR '000	current EUR '000	non-current EUR '000
Deferred income	16,916	0	19,946	0
VAT, payroll tax	10,915	0	13,737	0
Investment grants	0	0	0	1,384
Guarantees	0	1,333	0	1,437
Advanced payments	3,900	97	2,612	0
Liabilities for social security cost	4,582	0	2,307	0
Other non-financial liabilities	146	0	945	18
Total	36,459	1,430	39,547	2,839

c) Derivative financial instruments

As in the previous year, CGM Group does not disclose a derivative financial instrument classified as liability at the reporting date.

57. Sales revenues

Sales revenues can be broken down as follows:

	2017 EUR '000	2016 EUR '000
Software licenses	46,520	45,983
Software maintenance and other recurring revenue	387,835	374,901
Services	67,156	64,363
Hardware	40,535	35,449
Advertising, eDetailing and data	31,381	30,005
Software Assisted Medicine	4,995	5,600
Other revenue	3,953	3,894
Total	582,375	560,195
Thereof Construction Contracts (PoC-revenue)	20,577	14,642

58. Research and development expenses and capitalized in-house services**a) Research and development expenses**

Research and development expenses include all costs arising in the course of software research and development activities. Exceptions to this are development costs incurred due to statutory or contractually mandated ongoing development work (updates, maintenance etc.), which cannot be predetermined or controlled by the CGM Group.

Total expenses for research and development, which were recognized in the income statement, amounted to EUR 18,413 thousand (previous year: EUR 21,501 thousand).

b) Capitalized in-house services

Capitalized in-house services within the CGM Group pertains to the capitalization of expenses for in-house software and the applicable expenses of its own employees for Group-wide implementation of the new Enterprise Resource Planning (ERP) and Customer Relationship Management (CRM) software. The ERP and CRM software was introduced as part of the "One Group" project that meets the criteria set forth by IAS 38.

In the financial year 2017, approximately 370,195 working hours were performed (previous year: approximately 237,931 hours) and capitalized along with their applicable cost rates. Depending on the country, the hourly rate for capitalization fluctuates between EUR 22 and EUR 70.

59. Other income

	2017 EUR '000	2016 EUR '000
Income from services performed	523	622
thereof rental income	218	123
thereof services related income	256	422
thereof investment grants	48	77
Remaining other operating income	10,127	7,308
thereof compensation received from damages	530	198
thereof gain on sale of fixed assets	2,045	717
thereof revenues from valuation allowances/reversals	3,809	1,618
thereof revenues from reversals of purchase price liabilities	0	700
thereof revenues from out-of-court settlements	0	1,718
thereof other	3,742	2,357
Total	10,649	7,930

The amount of other income includes the result from the sale of the entire business operations of Privadis GmbH in June 2017 in the amount of EUR 500 thousand.

Rental income is derived primarily from renting out office, warehouse and training spaces in Koblenz to related parties. Investment grants have been primarily granted to subsidiaries in Germany and Austria. The income from services performed relates to operating the company cafeteria and providing management services to related parties.

For reasons of economy, the item "Other" will not be further torn up, as otherwise the group-specific reporting package would have to be disproportionately extended.

60. Expenses for goods and services purchases

	2017 EUR '000	2016 EUR '000
Software licenses	7,729	7,006
Software license and other recurring revenue	45,245	48,684
Services	13,008	17,225
Hardware	31,048	24,138
Advertising, eDetailing and data	4,257	1,896
Software Assisted Medicine	726	1,003
Other cost of goods	5,137	4,409
Total	107,149	104,361
Wareneinsatz bezogen auf Construction Contracts (PoC-Erlöse)	3,462	3,147

The position "Software maintenance and other recurring revenue" primarily relates to external service providers operating the customer service hotline as well as sales activities.

61. Personnel expenses and employees

a) Personnel expenses

	2017 EUR '000	2016 EUR '000
Salaries	210,114	207,145
Employer social security costs	46,006	42,031
of which net pension expenses – Benefits	1,180	2,128
of which net pension expenses – Contribution	14,386	11,407
Termination benefits	2,652	3,307
Other personnel expenses	10,752	7,600
Total	269,524	260,083

In 2017, contributions to domestic statutory health insurance organizations amounted to EUR 8,121 thousand (previous year: EUR 7,474 thousand).

b) Employees

The average number of CGM Group employees for the financial years 2017 and 2016 were as follows:

	2017	2016
Group employees (FTE)	4,448	4,293
Apprentices	103	96
Part time	601	572
Total	5,152	4,961

The average number of employees in a managerial role in CGM Group amounts to 73 (previous year: 75). The Management Board of CompuGroup Medical SE was not counted.

62. Other expenses

Other expenses can be broken down as follows:

	2017 EUR '000	2016 EUR '000
Losses on disposal of fixed assets	120	37
Bad-debt adjustments	4,964	2,918
Administrative and sales expense	99,629	85,377
Total	104,713	88,332
Administrative and sales expenses:		
Legal and consulting fees	12,356	12,485
Occupancy	15,778	16,037
Outsourcing	18,455	12,740
Company cars	10,763	10,165
Travel	8,319	8,740
IT (software, maintenance etc.)	7,899	2,380
Advertising/entertainment	8,252	6,260
Telephone	4,407	4,855
Trade fairs	3,340	2,840
Postage	1,689	1,418
Office and business equipment	882	4,128
Insurances/fees/contributions	2,375	1,482
Other	5,114	1,847
Total	99,629	85,377

Consolidated Notes for the 2017 Financial Year *continued*

In the previous year, parts of the fees and contributions (EUR 426 thousand) were reported under other expenses, which increased in comparison to the previous year by EUR 523 thousand and are now shown under the position insurance/fees/contributions. The amount under the position "other" includes adjustments for guarantee obligations, which increased by EUR 927 thousand in comparison to the previous year.

63. Depreciation and amortization

Depreciation of property, plant and equipment is comprised as follows:

Depreciation tangible assets in EUR '000	2017	2016
Land and buildings	2,241	1,854
Other facilities, furniture and office equipment	6,906	6,569
Total	9,147	8,423

Amortization of intangible assets is comprised as follows:

Depreciation intangible assets in EUR '000	2017	2016
Goodwill	0	4,386
Software	10,768	12,019
Customer relationship	12,540	12,562
Trademarks	2,859	2,972
Order backlog	298	289
Capitalized in-house services	2,763	3,172
Total	29,228	35,400

64. Results from associated companies at equity

The results from associated companies in the financial year 2017 amounted to EUR -1,151 thousand (previous year: EUR -1,409 thousand). The increase mainly results from the at equity valuation of MGS GmbH, Fablab and Gotthardt Informationssysteme GmbH.

65. Financial income and financial expenses**a) Financial income**

Financial income is broken down as follows:

	2017 EUR '000	2016 EUR '000
Interest on loans	57	73
Currency gain or loss	2,525	7,081
Other	1,172	932
Total	3,754	8,086

Other financial income also includes interests on tax credits.

b) Financial expense

Financial expenses are broken down as follows:

	2017 EUR '000	2016 EUR '000
Interest on loans	8,297	9,486
Capitalized borrowing costs on qualified assets	-794	-783
Loan origination fees	616	1,068
Increases in purchase price liabilities	1,277	1,760
Currency loss on loans	17,735	2,777
Total	27,131	14,308

66. Income taxes

Income taxes are comprised as follows:

	2017 EUR '000	2016 EUR '000
Income tax paid or owed	34,863	30,311
Germany	18,200	15,508
Current tax expense	13,053	16,384
Tax adjustments from prior years	5,148	-876
Recognition of tax losses carried forward from earlier periods	0	
Other countries	16,662	14,803
Current tax expense	15,428	15,193
Tax adjustments from prior years	1,234	-390
Recognition of tax losses carried forward from earlier periods	0	
Deferred taxes	-1,049	-568
from temporary differences	-1,731	1,976
from tax adjustments from prior years	0	1,429
from changes in tax rate	-945	-215
from recognition of tax losses from previous periods	1,627	-3,758
Total	33,814	29,743

(Deferred) income taxes, which are recognized directly in other comprehensive income, are broken down as follows:

	2017 EUR '000	2016 EUR '000
Current tax	0	0
Deferred tax	-21	-154
Arising on income and expenses recognised in other comprehensive income	-21	-154
Translation of foreign operations	0	0
Neubewertung zum beizulegenden Zeitwert von Finanzinstrumenten der Kategorie „zur Veräußerung verfügbar“	0	0
Fair value remeasurement of hedging instruments entered into for cash flow hedges	0	0
Property revaluations		
Remeasurement of defined benefit obligation	-21	-154
Arising on income and expenses reclassified from equity to profit or loss	0	0
Relating to cash-flow hedges	0	0
Relating to available-for-sale financial assets	0	0
On disposal of a foreign operation	0	0
Arising on gains/losses of hedging instruments in cash flow hedges transferred to the initial carrying amounts of hedged items	0	0
Deferred tax recognized in other operating income	-21	-154

The consolidated tax rate serves as the basis for corporation tax and legal structure planning. Hence, the Group tax rate is held to be a figure that contains information about the Company's (income) tax burden. In accounting terms, the ratio of the reported income tax expense and profit before tax will give rise to the Group tax rate. Consequently, the consolidated tax charge is the sum of current and deferred tax whereby the utilization of losses brought forward, the use of tax credits, tax allowances and the book value of deferred tax assets have a favorable impact on the final consolidated tax rate.

Consolidated Notes for the 2017 Financial Year *continued*

The weighted average tax rate was unchanged compared to the previous year and amounts to 30 percent, which corresponds to the corporate tax rate borne by CompuGroup Medical SE in Germany on taxable profits. Under German tax regulations, taxes on income include the "Körperschaftsteuer" (corporation tax), "Gewerbesteuer" (local business tax) and the "Solidaritätszuschlag" (solidarity surcharge for the former East Germany). For domestic legal entities of the CGM Group the corporation tax amounts to 15 percent (previous year 15 percent), the solidarity surcharge for the former East Germany amounts to 5.5 percent on corporation tax (previous year 5.5 percent on corporation tax) as well as the local business tax amounting to 14 percent (previous year 14 percent). For foreign subsidiaries their respective national tax rates are applied for the financial year.

The reconciliation between the statutory tax rate (nominal) and the actual tax rate is shown below:

	2017		2016	
	EUR '000	in %	EUR '000	in %
Earnings before taxes (EBT)	65,557		74,213	
Nominal tax rate – theoretical tax expense	19,667	30%	22,264	30%
Effect of differing domestic tax rates	-1,384	-2.1%	-659	-0.9%
Effects of tax rate changes on deferred taxes (balanced)	-945	-1.4%	-199	-0.3%
Expense from tax audit	5,246	8.0%	435	0.6%
Tax reimbursement for prior years	-96	-0.1%	-867	-1.2%
Tax expense for prior years	835	1.3%	654	0.9%
Loss foreign countries – tax saving	7,291	11.1%	4,383	5.9%
Effects of non-tax-deductible expenses	2,361	3.6%	1,835	2.5%
Effects of non-tax-deductible amortization of goodwill	0	0%	1,407	1.9%
Tax expense from permanent differences	314	0.5%	-76	-0.1%
Other differences	525	0.8%	565	0.8%
Effective tax expense	33,813	52%	29,743	40%

The impact of changes in tax rates on deferred taxes is primarily related to the Belgian, Norwegian and French subsidiaries.

In reference to group companies abroad, deferred tax assets referring to benefits from as yet unused losses carried forward that were not capitalized, concern the subsidiaries CompuGroup Medical Inc. (USA), CompuGroup Medical Schweiz AG (Switzerland), CGM Lab France SAS and the CompuGroup Medical Malaysia Sdn Bhd (Malaysia).

The actual tax expense recognizes tax expenses for other accounting periods concerning German and non-German subsidiaries.

67. Earnings per share from continuing operations

	31.12.2017	31.12.2016
Consolidated net income for the period allocated to the parent company in TEUR	31,250	44,530
Number of ordinary shares (#)	53,219,350	53,219,350
Treasury shares (#)	3,495,731	3,495,731
Outstanding ordinary shares at closing date (#)	49,723,619	49,723,619
Earnings per share (in €)		
– undiluted	0.63	0.90
– diluted	0.63	0.90

F. Segment reporting

For the definition of the business segments, the Management Board draws on reports that are also available to the Supervisory Board and analysts for their strategic decisions. In order to reflect regional differences of the healthcare industry with regard to organization and regulation, the reporting covers product and service-related financial data as well as regional information. For management purposes as well as resource allocation, the product and service-related structure is a decisive parameter and is divided into a total of five business segments.

In the fiscal year 2017 CompuGroup Medical SE changed the segment reporting.

At the end of the fiscal year 2017, the business segments Ambulatory Information Systems (AIS) and Pharmacy Communication Systems (PCS) represent own reporting segments instead of being included in the segment Health Provider Services I (HPS I). Furthermore, the previous business segment Internet Service Providing (ISP), which has been included in the segment reporting of Health Connectivity Services (HCS), is integrated in the new business and reporting segment Ambulatory Information Systems (AIS). In addition, the composition of the business and reporting segment has been further changed due to modifications and reorientations of individual group units (Profit Center).

CompuGroup Medical SE is active in the following four business segments, which also represent the reporting segments for the external segment reporting of the CGM:

- Ambulatory Information Systems (AIS) is focused on practice management software, connectors and electronic medical records for office-based physicians, dentists, laboratories, medical care centers and physician's networks. Furthermore, internet/intranet solutions are offered to service providers (physicians, dentists, hospitals, and clinics).
- Pharmacy Information Systems (PCS) is focused on integrated clinical, administrative and financial software applications for pharmacies and mail order pharmacies.
- Hospital Information Systems (HIS): Hospital, laboratory and special care information systems (clinical software).
- Health Connectivity Services offers software solutions to producer of pharmaceutical and medical devices, which are used to offer physicians information over interfaces. In addition, an information channel is offered to payers in the health sector (health insurance companies, care institutions and companies in the public sector) and physicians through software solutions, which shall help them for the optimization of the decision processes.

The Company has defined EBITDA (earnings before interest, tax, depreciation and amortization) as a key financial indicator for the evaluation and assessment of segment performance. EBITDA represents the segment result.

The reporting segments can be described and summarized as follows:

The Ambulatory Information Systems business segment is tailored to smaller service providers and laboratories, in which customers are usually both buyers and decision-makers, as well as daily software users. The sales cycles and decision-making processes are generally short and the installation and provision of the software solutions can generally be completed within a few days to a few weeks. Software maintenance and other recurring revenues represent the main source of income. In recent years, the share of recurring income remained constant at about 75 percent. Other revenue is revenue from license sales as well as training, consulting and implementation services and other income from third-party software licenses, as well as related hardware, equipment, etc. The customer relationships are generally experienced as long-term. Furthermore, the business model of the reporting segment Ambulatory Information Systems comprises the sale of connectors and the conclusion of subscription contracts, which ensure a secure exchange of data between the service providers and the payers in the current target markets. The received customer relationships are generally experienced as long-term.

The Pharmacy Communication Systems business segment is conform to pharmacies and equivalent health care providers, in which customers act as both buyers and decision makers as well as everyday software users. The sales cycles and decision-making processes are generally short, so that software installation and deployment can normally be completed within a few days or weeks. Software maintenance and other recurring revenues are the main source of revenues. Other revenues include license sales, training-, consulting- and implementation services and other revenues from third-party software licenses, related hardware, equipment etc.. The customer relationships are generally entered as long-term relationships.

The Hospital Information Systems business segment is pursuing a project-oriented business model in which our customer is generally a buyer and decision-maker but not a daily software user. In this segment, customers are mostly hospital administrations (IT department or procurement department), the operating company of a hospital chain or other operators of hospital networks, regional nursing organizations or regional public organizations. In Europe, hospitals and nursing homes are predominantly governed by public law and are therefore subject to regulatory requirements for public tenders. The lead times for the receipt of a project order and decision-making cycles are long. Project duration can be several months or even several years from the installation to go-live of the software solution by the customer. Compared to the business segments Ambulatory and Pharmacy Information Systems, sales from consulting, training and other services are significantly higher. Software maintenance and other recurring revenues currently account for approximately 56 percent of total revenues.

Consolidated Notes for the 2017 Financial Year *continued*

The business as well as reporting segment Health Connectivity Services (HCS) includes the former business segments Communication & Data and Workflow & Decision Support, which in course of steadily progressing merging of business activities, will be combined into one business segment and will also be included in the segment reporting of CGM as a reporting segment in the future. The Health Connectivity Services (HCS) business and reporting segment is intended to provide solutions for all healthcare service providers in term of business purpose and product alignment to ensure efficient communication and workflow processes. The business model is based on cooperation agreements with pharmaceutical companies (usually with a duration of six to twelve months), occasional advertising (continuous) and revenue from contracts for the collection and procurement of clinical data. In addition, the execution of project business (license sales and services), software maintenance and technical support, and performance-related revenues (based on cost and quality of service for patients) are the subject of the business activity, whereby predominantly cost units are addressed as customers.

The "Other segments" category (IFRS 8.16) mainly comprises income and expenses from software development located at headquarters in Koblenz.

"Reconciliation" comprises corporate functions managed from Koblenz headquarters (e.g. IT, Human Resources, Legal) and consolidation measures between the segments. Transactions between business divisions were generally carried out in the same way as those between external third parties.

The segment information is based on the same disclosure and evaluation methods as the consolidated financial statements. Transactions among the Group's segment companies are always agreed at arm's length.

G. Other disclosures

68. Notes on the cash flow statement and cash equivalents

CGM Group creates the consolidated cash flow statement pursuant to International Accounting Standard (IAS) 7 "Statement of Cash Flows". CGM Group discloses its cash flows in order to reveal the sources and uses of cash and cash equivalents. It distinguishes between cash flows from operating activities, investing activities and financing activities.

Cash funds include cash on hand, checks, balances at banks and other financial assets with a maturity of no more than three months and equal the cash and cash equivalents balance sheet amount as of reporting date. In cash and cash equivalents, securities are therefore recognized to the extent they are short term and not subject to a significant risk of price fluctuations. In addition, the cash and cash equivalents includes bank deposits (EUR 3,939 thousand), which are mainly classified as restricted cash due to capital export restrictions (see also section "E. 48. Cash and cash equivalents"). The effects of currency conversion are adjusted for in the calculation and shown separately in the cash flow statement.

Cash flows from operating activities are determined by first adjusting consolidated net income for non-cash items such as depreciation, impairment, write-ups of intangible assets and property, plant and equipment while including changes in provisions and changes in other assets and liabilities as well as in net current assets.

Cash flows from investing activities partly pertain to cash outflows for investments in intangible assets, property, plant and equipment, subsidiaries and other business units as well as investments accounted for under the at equity method and jointly controlled entities. In addition, this is where we document the proceeds from the sale of intangible assets and property, plant and equipment and subsidiaries and other business units.

The outflows for acquisitions of subsidiaries and other business units relate to acquisitions and sales shown in the section "Company acquisitions."

With regard to cash flows from financing activities, we report both paid and received dividends, the repayment of debt and new borrowing, payments for the acquisition of non-controlling interests and other financing transactions, as well as repayments of liabilities from finance leases. The change in financial liabilities during the year was marked by the additional borrowing. Furthermore, loans as well as liabilities from finance leases have been settled according to schedule.

Payments for income taxes are already included in the consolidated net income, which is the basis for the calculation of cash flows from operating activities. The actual amount of income tax payments during the reporting period is reported as additional information below the cash flow statement. The same applies to the reporting of interest paid and received.

	31.12.2016	Cash flow from financing activities	Non-Cash				31.12.2017
			changes in scope of consolidation	currency-effects	other effects*	change of fair value	
Current liabilities to banks	358,195	-6,587	38	-40	752	-	352,359
Finance lease liabilities	15,995	-3,566	-	-1	76	-	12,504
Other loans	20	-	1,725	-	47	-	1,792
Total financial liabilities	374,210	-10,152	1,763	-41	876	-	366,655

* Includes additions from leasing contracts, accrual for transaction costs and interests

The reconciliation shows changes in such financial liabilities whose payments (inflows and outflows) are presented in the cash flow statement in the cash flow from financing activities. Please refer to section E) 56.a) Other financial liabilities for a more detailed explanation of the finance lease liabilities and other loans.

Consolidated Notes for the 2017 Financial Year *continued***69. Capital management**

CGM Group aims to strengthen its equity base in the long term and to achieve an adequate return on capital invested. However, the Group's accounting capital is only a passive risk control criterion, while revenue and EBITDA are active control elements.

CGM Group's capital structure consists of net debt (incurred borrowings less cash and cash equivalents) and the Group's equity. Group equity includes issued shares less treasury shares, capital and revenue reserves, other reserves as well as shares of non-controlling shareholders. A detailed breakdown of the Group's equity can be found in the "Changes in equity" or "Equity" sections.

It is both the target and the strategy of capital management to comply with or to optimise the financial covenants set out in credit agreements so as to continue further funding with unchanged or improved terms and conditions.

The consolidated equity ratio as disclosed in the consolidated financial statements as of 31 December 2017 amounted to 28.61 percent (previous year: 27.06 percent) and is particularly affected by:

- the consolidated net profit (EUR 31,250 thousand; previous year: EUR 44,530 thousand),
- dividend payments (EUR -17,403 thousand; previous year: EUR -17,403 thousand),
- exchange rate gains and losses (EUR 3,500 thousand; previous year: EUR -1,473 thousand), and
- actuarial gains and losses (EUR -36 thousand; previous year: EUR -115 thousand).

CGM Group's debt ratio as of the balance sheet date, 31 December 2017 is calculated as follows:

	31.12.2017 EUR '000	31.12.2016 EUR '000
Equity		
Debt ¹⁾	366,655	374,210
Equity	30,362	27,756
Net Debts	336,293	346,454
Equity²⁾	236,060	218,653
Net debt to equity ratio	142%	158%

1) Debt is defined as current and non-current financial liabilities (excluding derivatives and financial guarantee contracts)

2) Equity includes all capital and reserves of the Group that are managed as capital (including minority)

	31.12.2017 EUR '000	31.12.2016 EUR '000
Dynamic gearing ratio		
Debt ¹⁾	352,359	358,195
Cash and bank balances	30,362	27,756
Net Debts	321,997	330,439
Earnings before interest, taxes, depreciation and amortization (EBITDA)	128,444	125,667
Net debt to EBITDA ratio	251%	263%

1) Debt is defined as current and non-current financial liabilities (excluding derivatives and financial guarantee contracts)

70. Financial instruments

A financial instrument is a contract that simultaneously gives rise to a financial asset at one company and a financial liability or equity instrument at another entity.

CGM Group's financial instruments to be classified as financial assets consist of "cash and cash equivalents", "trade receivables", "receivables from construction contracts", "other financial receivables", "finance leasing receivables" and "other financial assets".

Financial instruments to be classified as financial liabilities were composed of "liabilities to banks", "purchase price liabilities", "trade payables", "other financial liabilities" and "leasing liabilities".

Financial instruments are recognized when CGM becomes party to the financial instrument contract.

All financial instruments are initially recognized at fair value. Costs are capitalized only when the subsequent valuation of financial instruments is not measured at fair value in the income statement. For subsequent measurements, financial instruments are broken down into the following classes under IAS 39:

- Financial instruments carried at amortized cost,
- Financial instruments measured at fair value.

Financial instruments assigned to the categories "fair value through profit and loss", "available for sale" and "held for trading" are generally measured at fair value.

Fair value is not always available as a market value, which often necessitates a determination based on various measurement parameters. Depending on the availability of observable parameters and the relevance of these parameters for determining fair value as a whole, fair value is assigned to Level 1, 2 or 3. Assignment to these levels is effected under consideration of the following factors:

- Level 1 parameters: Here, the market value of assets and liabilities is calculated based on quoted, unadjusted prices like those that arise for similar or identical assets and liabilities in active markets.
- Level 2 parameters: Here, the market value of assets and liabilities is calculated on the basis of parameters for which either directly or indirectly quoted prices are also made available to an active market.
- Level 3 parameters: Here, the market value of assets and liabilities is calculated on the basis of parameters for which there are no observable market data.

For financial instruments to be measured at fair value, the determination was based on the market information available on the balance sheet date using the following methods and assumptions:

- The measurement category "**assets available for sale (AFS)**" comprises investments with an ownership interest of less than 20 percent that are reported as "other financial assets". The financial instruments in the category "available for sale" pertain to non-derivative financial assets which are, to the extent a reliable determination can be made, recognized at fair value. If their fair value cannot be reliably measured, they will be carried at cost. In the financial year all assets available for sale are carried at cost. On 31 December 2017, management did not intend to sell any assets classified as "available for sale".

Fluctuations in value between reporting dates are recognized directly in the statement of comprehensive income (revaluation reserve), unless there is permanent impairment, which is then recognized in the income statement. When disposing of assets, the amounts recognized in the revaluation reserve are included in the income statement. In the absence of sufficient measurements, due to the fact that it is not possible to reliably determine cash flows, shares of less than 20 percent held by CGM Group are carried at cost. There are no other financial instruments classified in the category "assets available for sale".

- All financial assets classified as "**loans and receivables (LaR)**" are carried at cost using the effective interest method. Financial instruments classified as "loans and receivables" are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

CGM Group recognizes "cash and cash equivalents", "trade receivables", "receivables from construction contracts" and "other financial assets" under this category. On account of the mostly short maturities, the book values of financial instruments that are classified as "loans and receivables" correspond approximately to their fair values. The fair values of the loans granted by CGM Group loan are derived from the present value of expected future payments.

The fair value of loans granted by CGM Group results from the discounted value of the future cash flows. For discounting purposes, the appropriate interest rates on the balance sheet date are used. The fair value of the loans granted by CGM Group on the balance sheet date roughly corresponds to the book value. If the recoverability of these financial instruments is in doubt, they are stated at cost appropriate less value adjustments.

- Financial instruments classified as "**held to maturity**" are not used by CGM Group.
- All financial liabilities are generally measured at cost using the effective interest method and classified as "other liabilities (oL)". With regard to "trade payables" and "other financial liabilities", the book value almost corresponds to the fair value. The position liabilities to banks within the financial liabilities is divided into fixed interest-rate liabilities and variable interest-rate liabilities. For fixed interest-rate liabilities, fair value is measured as the present value of expected future cash flows while the appropriate interest rates on the balance sheet date (including a market consistent spread for CGM) are used for discounting purposes. The fair value of the variable interest-rate liabilities corresponds approximately to the book values.
- The financial assets of "finance lease receivables" and financial liabilities from "leasing liabilities" are not covered by the measurement categories under IAS 39, but are reported in the table below under financial instruments. The valuation of financial assets from "financial leasing receivables" and financial liabilities from "leasing liabilities" are measured at cost in accordance with the provisions of IAS 17. In order to determine the fair value appropriate interest rates and an average maturity of the leasing contracts is assumed.
- Even the purchase price liabilities are not covered by the measurement categories under IAS 39, but are reported in the table below under financial instruments.

Consolidated Notes for the 2017 Financial Year *continued*

As of 31 December 2017, the financial instruments by valuation category were as follows:

Categories of financial instruments in accordance with IAS 39	Category according to IAS 39	Book value as at 31.12.2017	IAS 39 valuation		IAS 17 valuation		Fair value as at 31.12.2017
			Amortised costs (continued)	Fair value through profit and loss	Fair value through equity	Amortised costs	
Financial assets							
Cash and bank balances	LaR	30,362	30,362	0	0	0	30,362
Trade receivables	LaR	102,544	102,544	0	0	0	102,544
Receivables from construction contracts (PoC)	LaR	8,364	8,364	0	0	0	8,364
Other receivables	LaR	3,628	3,628	0	0	0	3,628
Finance lease receivables	–	16,375	0	0	0	16,375	17,373
Other financial assets	AfS	172	–	–	–	–	–
Total financial assets		161,445	144,898	0	0	16,375	162,271
Financial liabilities							
Liabilities to banks	oL	352,359	352,359	0	0	0	352,963
Purchase price liabilities	oL	14,399	14,399	0	0	0	14,399
Trade payables	oL	43,944	43,944	0	0	0	43,944
Other financial liabilities	oL	5,578	5,578	0	0	0	5,578
Financial lease obligations	–	12,504	0	0	0	12,504	12,397
Total financial liabilities		428,784	416,280	0	0	12,504	429,281
Total per category							
Assets held for trade	AfS	172	0	0	0	0	0
Liabilities to banks and receivables	LaR	144,898	144,898	0	0	0	144,898
Other financial liabilities	oL	416,280	416,280	0	0	0	416,884

The financial instruments by valuation category for the prior-year period as of 31 December 2016 are as follows:

Categories of financial instruments in accordance with IAS 39	Category according to IAS 39	Book value as at 31.12.2016	IAS 39 valuation		IAS 17 valuation		Fair value as at 31.12.2016
			Amortised costs (continued)	Fair value through profit and loss	Fair value through equity	Amortised costs (continued)	
Financial assets							
Cash and bank balances	LaR	27,756	27,756	0	0	0	27,756
Trade receivables	LaR	80,128	80,128	0	0	0	80,128
Receivables from construction contracts (PoC)	LaR	31,926	31,926	0	0	0	31,926
Other receivables	LaR	2,683	2,683	0	0	0	2,683
Finance lease receivables	–	16,858	0	0	0	16,858	17,886
Other financial assets	AfS	167	–	–	–	–	–
Total financial assets		159,518	142,493	0	0	16,858	160,379
Financial liabilities							
Liabilities to banks	oL	358,195	358,195	0	0	0	358,776
Purchase price liabilities	oL	14,047	14,047	0	0	0	14,047
Trade payables	oL	31,381	31,381	0	0	0	31,381
Other financial liabilities	oL	7,902	7,902	0	0	0	7,902
Financial lease obligations	–	15,995	0	0	0	15,995	15,896
Total financial liabilities		427,520	411,525	0	0	15,995	428,002
Total per category							
Assets held for trade	AfS	167	0	0	0	0	0
Liabilities to banks and receivables	LaR	142,493	142,493	0	0	0	142,493
Other financial liabilities	DufH	411,525	411,525	0	0	0	412,105

71. Fair value measurement**a) Fair value of financial assets and liabilities that are regularly measured at fair value (according to valuation hierarchies)**

As in the prior year, on December 31, 2017, none of the financial assets and liabilities of CGM Group were regularly measured at fair value as of the balance sheet date.

b) Distribution by valuation hierarchies of financial assets and liabilities that are not regularly measured at fair value

The financial assets and liabilities that are not regularly measured at fair value as at 31 December 2017 are as follows:

	31.12.2017	Level 1	Level 2	Level 3
Fair value of financial assets valued at amortised costs				
Trade receivables	102,544	0	102,544	0
Receivables from construction contracts (PoC)	8,364	0	8,364	0
Other receivables	3,628	0	2,186	1,442
Finance lease receivables	17,373	0	17,373	0
Total	131,909	0	130,467	1,442
Fair value of financial liabilities valued at amortised costs				
Liabilities to banks	353,063	0	0	353,063
Purchase price liabilities	14,399	0	0	14,399
Trade payables	43,944	0	43,944	0
Other financial liabilities	5,578	0	3,833	1,745
Financial lease obligations	12,397	0	12,397	0
Total	429,381	0	60,174	369,207

The financial assets and liabilities that are not regularly measured at fair value as at 31 December 2016 are as follows:

	31.12.2016	Level 1	Level 2	Level 3
Fair value of financial assets valued at amortised costs				
Trade receivables	80,128	0	80,128	0
Receivables from construction contracts (PoC)	31,926	0	31,926	0
Other receivables	2,683	0	1,171	1,512
Finance lease receivables	17,886	0	17,886	0
Total	132,623	0	131,111	1,512
Fair value of financial liabilities valued at amortised costs				
Liabilities to banks	358,776	0	0	358,776
Purchase price liabilities	14,047	0	0	14,047
Trade payables	31,381	0	31,381	0
Other financial liabilities	7,902	0	7,860	42
Financial lease obligations	15,896	0	15,896	0
Total	428,002	0	55,137	372,865

72. Write-downs of financial assets

There were no impairments of financial assets during the reporting period. With regard to the impairment of trade receivables and financial assets, please refer to the respective valuation allowance schedule.

73. Net profits and losses on financial assets and liabilities

	31.12.2017 EUR '000	31.12.2016 EUR '000
Net profit/loss from currency conversion differences (LaR)	-15,517	-4,303
Net profit/loss from discount/reversal of purchase price liabilities (oL)	-1,132	-1,576
Total	-16,649	-5,879

The net gain/loss from the foreign currency translation is recognized according to the origin in other income and other expenses or financial income and financial expenses.

Consolidated Notes for the 2017 Financial Year *continued*

Furthermore, allowances for doubtful accounts are stated under other operating expenses in the amount of EUR -4,964 thousand (previous year: EUR -2,918 thousand), which are included as instruments of the category loans and receivables (LaR).

74. Credit risk

The financial assets of the Group primarily comprise bank deposits, trade receivables, other receivables and securities. The book value of those financial assets represent the maximum credit risk exposure for the Company.

The credit risk to the Group results primarily from trade receivables. The amounts indicated in the balance sheet are understood to include a valuation adjustment for receivables that probably cannot be collected, reflecting the senior management's judgment based on previous experience and the current economic environment. In addition, the age of the receivables can be classified as non-doubtful (see trade receivables).

CGM Group does not have any significant concentration of credit risks because these risks are distributed across a large number of contractual parties and customers.

The loss of major customers in the hospitals, laboratories, and pharmaceuticals business can have a detrimental effect on the Group's liquidity. The tendering procedures for major customers and project business are closely monitored to detect and address changes in the market.

The maximum credit risk from financial assets available for sale at the reporting date corresponds to the carrying value of all investments under 20 percent that are classified as available for sale.

The maximum exposure to credit risk from trade receivables, other receivables and leasing receivables at the balance sheet date is the carrying amount of these receivables. The Group has received no guarantees.

The default risk to liquid assets is limited because these are held at banks which were assigned a high credit rating by rating agencies.

75. Currency risk

The market success and gross revenues of exporting companies is influenced by fluctuating exchange rates. In 2017, about 78 percent of revenue was generated in Euros (previous year: 78 percent) and around 22 percent of revenue in other currencies (previous year: 22 percent). During the year, hedges of possible exchange rate risks were effectuated in the form of forward exchange contracts. All such instruments are completely expired as of the balance sheet date.

The book value of Group monetary assets and liabilities denominated in a foreign currency is as follows:

	Assets		Liabilities	
	31.12.2017 EUR '000	31.12.2016 EUR '000	31.12.2017 EUR '000	31.12.2016 EUR '000
Carrying amount of monetary assets and liabilities in foreign currencies				
US Dollar	10,448	10,834	8,238	3,750
Norwegian Crowns	807	918	-48	463
Swedish Crowns	4,711	9,097	768	581
Polish Zloty	5,936	4,683	1,541	1,789
Turkey Lira	922	1,526	237	164
Czech Crowns	2,407	2,747	430	461
Franc Switzerland	3,108	4,153	18	319
Danish Crowns	1,182	1,096	219	285
Malaysian Ringgit	1,627	2,687	73	84
Canadian Dollar	136	138	6	4
South African Rand	5,215	3,108	69	164
Singapore Dollar	46	55	19	31
Romanian Leu	471	115	340	143

a) Sensitivity analysis: impact on net income in the case of a 10 percent rise or fall of the euro against the respective foreign currency:

The following table details the Group's sensitivity to a 10 percent rise or fall in the euro against the respective foreign currency. The adoption of the 10 percent change represents management's best estimate regarding a possible change in exchange rates from a rational perspective. The sensitivity analysis includes only outstanding monetary items denominated in foreign currency adjusting their conversion based on a 10 percent change in exchange rates.

Sensitivity Analysis	Currency impact net income					
	31.12.2017			31.12.2016		
	Net income	+10 percent	-10 percent	Net income	+10 percent	-10 percent
US Dollar	15,352	16,887	13,817	-68	-75	-62
Norwegian Crowns	-6,110	-6,721	-5,499	6,090	6,699	5,481
Swedish Crowns	-6,146	-6,761	-5,532	4,688	5,157	4,220
Polish Zloty	-966	-1,063	-869	-1,086	-1,195	-978
Turkey Lira	2,343	2,578	2,109	-3,298	-3,628	-2,968
Czech Crowns	-2,012	-2,213	-1,810	2,170	2,387	1,953
Franc Switzerland	824	906	741	423	466	381
Danish Crowns	-3,006	-3,307	-2,705	2,258	2,483	2,032
Malaysian Ringgit	-92	-101	-82	-46	-51	-42
Canadian Dollar	-9	-10	-8	4	5	4
South African Rand	6,052	6,657	5,447	3,173	3,491	2,856
Singapore Dollar	106	117	95	-157	-172	-141
Romanian Leu	109	120	98	-2	-3	-2

b) Sensitivity analysis: impact on equity in the case of a 10 percent rise or fall of the euro against the respective foreign currency

Sensitivity Analysis	Currency impact equity					
	31.12.2017			31.12.2016		
	Equity	+10 percent	-10 percent	Equity	+10 percent	-10 percent
US Dollar	250	275	225	9,676	10,644	8,708
Norwegian Crowns	-37,022	-40,724	-33,320	38,559	42,415	34,703
Swedish Crowns	-17,330	-19,063	-15,597	15,406	16,946	13,865
Polish Zloty	-3,269	-3,596	-2,942	2,163	2,380	1,947
Turkey Lira	6,967	7,663	6,270	-5,938	-6,532	-5,344
Czech Crowns	-3,324	-3,657	-2,992	3,762	4,138	3,386
Franc Switzerland	2,382	2,620	2,144	-1,743	-1,917	-1,568
Danish Crowns	-5,272	-5,800	-4,745	4,290	4,719	3,861
Malaysian Ringgit	-925	-1,018	-833	-3,627	-3,990	-3,265
Canadian Dollar	-124	-137	-112	122	134	110
South African Rand	8,251	9,076	7,426	2,078	2,286	1,870
Singapore Dollar	159	175	143	-58	-64	-53
Romanian Leu	109	120	99	-2	-3	-2

In light of the highly scalable nature of revenue and general business activity of CGM Group, management considers the sensitivity analysis to be an effective method for discerning currency risks.

Consolidated Notes for the 2017 Financial Year *continued***76. Interest rate risk**

CGM Group's interest rate risk arises from long-term loans with variable interest rates. Liabilities to banks as of 31 December 2017 totalled EUR 352.4 million. Given the prevailing interest rate environment and interest rate expectations since then the Group does not foresee any significant interest rate fluctuations and therefore currently sees no necessity for interest rate hedging transactions.

To guard against interest risks, the Group prospectively use relevant financial instruments. The impact of interest rate fluctuations is described in more detail in the following. Borrowings that bear fixed interest rates are excluded from the analysis.

If market interest rates on 31 December 2017 had been 20 basis points higher or lower, the financial result would have been EUR 644 thousand lower or EUR 0 higher. In addition, it must be noted that due to contractual agreements the base interest rate for loans linked to EURIBOR has been at zero percent all year long even if a drop of 20 basis points in interest rates is modelled. Hence, the interest paid is calculated on the basis of the fixed margin only, which is not subject to any fluctuations of the market interest rate. Consequently, a drop in the market interest rate had no effect on the financial result.

Expected future interest payments to be made by CGM Group are shown below:

	Book value 31.12.2017 EUR '000	Interest payments 2018 EUR '000	Interest payments 2019 EUR '000	Interest payments 2020 EUR '000	Interest payments after 2021 EUR '000
Liabilities to banks	352,359	5,197	3,616	442	427
Finance lease obligations	12,503	282	193	94	94
Other financial debt	5,578	43	0	0	0
Trade payables	43,944	0	0	0	0
Purchase price liabilities	14,399	0	0	0	0

	Book value 31.12.2016 EUR '000	Interest payments 2017 EUR '000	Interest payments 2018 EUR '000	Interest payments 2019 EUR '000	Interest payments after 2020 EUR '000
Liabilities to banks	358,195	6,394	6,002	4,129	869
Finance lease obligations	15,995	373	282	192	187
Other financial debt	7,902	43	0	0	0
Trade payables	31,381	0	0	0	0
Purchase price liabilities	14,047	0	0	0	0

Due to the current low interest rate environment, an interest rate sensitivity analysis in which the variable interest (here 3- month Euribor) is changed by + 20bp/-20bp shows only immaterial effects on CGM Group's effective interest payments.

77. Liquidity risk

To ensure that financial obligations can be complied with throughout the Group, CompuGroup Medical SE has negotiated adequate syndicated loans and overdraft facilities.

Liquidity risk differs between the countries in which CGM Group operates. Companies operating in Germany usually receive revenue from customers via direct debit agreements, whereby liquidity risk is minimized. The same applies for companies that operate in countries where direct debit is the predominant payment method (e.g. Austria, Norway, Sweden, and France).

Parts of the Group cooperate in cash pooling arrangements. These agreements provide a needs-based cash management that ensures sufficient liquidity to individual companies to meet their operational needs. Control of the cash pooling is handled centrally through the Group's headquarters in Koblenz. For those operating entities that do not participate in cash pooling arrangements, control of cash holdings is accomplished through medium-term cash planning methods.

Group companies exceeding the level of working capital requirements usually have their cash transferred to the Group's cash management department on a quarterly basis.

CGM Group considers any limitation on debt and capital absorption capacity a liquidity risk. Restrictions place a significant risk on the achievement of corporate goals and affect overall financial flexibility.

CGM Group understands liquidity risk management as performing regular risk analysis involving the use of financial instruments to ensure that potential risks can be adequately addressed.

Around 90% of the financing is related to the syndicated loan. Through continuous monitoring and reporting critical concentration of risk with regard to refinancing is identified in a timely manner.

The following tables show CGM Group's remaining contractual maturities of financial liabilities, including derivative financial instruments. The tables examine the undiscounted cash flows of financial liabilities including both interest and principal repayments. To the extent that interest payments are based on variable parameters, the undiscounted amount was determined on the basis of yield curves at the end of the reporting period. The contractual maturities are based on the earliest date on which the Group can be required to pay:

Expected future payments as of 31 December 2017:

Future payments not discounted	Book value 31.12.2017 EUR '000	Payments 2018 EUR '000	Payments 2019 EUR '000	Payments 2020 EUR '000	Payments after 2021 EUR '000
Liabilities to banks	352,359	39,572	292,193	19,302	10,974
Finance lease obligations	12,503	3,933	3,944	4,548	741
Other financial debt	5,578	5,455	166	0	0
Trade payables	43,944	43,944	0	0	0
Purchase price liabilities	14,399	5,315	6,191	800	2,093

Expected future payments as of 31 December 2016:

Future payments not discounted	Book value 31.12.2016 EUR '000	Payments 2017 EUR '000	Payments 2018 EUR '000	Payments 2019 EUR '000	Payments after 2020 EUR '000
Liabilities to banks	358,195	42,172	33,505	253,577	28,941
Finance lease obligations	15,995	3,881	3,886	3,880	4,348
Other financial debt	7,902	7,549	353	0	0
Trade payables	31,381	31,837	0	0	0
Purchase price liabilities	14,047	10,535	2,544	470	498

Consolidated Notes for the 2017 Financial Year *continued***78. Operating leases, other financial obligations and contingent liabilities****a) Payments stemming from operating leases recognized in the income statement**

Payments stemming from operating leases are recognized in the income statement as follows:

	31.12.2017 EUR '000	31.12.2016 EUR '000
Minimum lease payments	10,500	13,100
Sub-lease payments received	154	345
	10,346	12,755

Operating lease payments that are recognized in other expenses primarily relate to the rental and lease agreements concluded for office and training facilities, office equipment, hardware, and motor vehicles. Contingent payments (lease payments that are not fixed in amount but depend on factors other than the passage of time (e.g. price indices, market interest rates) were not used. Payments received from sub-lease arrangements mainly stem from the sub-leasing of office and training facilities as well as motor vehicles. Operating lease contracts are recognized as expenses in the income statement on a pro rata basis.

b) Leased assets (operating leases)

Operating lease – CGM as lessor	31.12.2017 EUR '000	31.12.2016 EUR '000
Minimum leasing income		
< 1 year	171	253
1-5 years	280	0
> 5 years	35	0
Total	486	253

Income from the lease of assets under operating leases results primarily from the leasing of office, storage and training facilities. Other income from operating leases results from the renting out of Workshop premises at the Company headquarters in Koblenz and the rental of vehicle parking lots. Almost all contracts concluded are due within one year or within five years at the latest.

Disclosures resulting from IAS 17.57 have been omitted due to reasons of materiality.

c) Open commitments from operating leases that cannot be cancelled

On the balance sheet date, the Group's open commitments from operating leases that cannot be canceled, matured as follows:

	Rental and lease agreements for a plant or administration building		Carpool leasing		Other leasing contracts		Total	
	31.12.2017 EUR '000	31.12.2016 EUR '000	31.12.2017 EUR '000	31.12.2016 EUR '000	31.12.2017 EUR '000	31.12.2016 EUR '000	31.12.2017 EUR '000	31.12.2016 EUR '000
< 1 year	7,907	8,072	3,802	3,954	1,369	1,319	13,078	13,345
1-5 years	17,640	17,929	4,075	4,545	2,188	803	23,902	23,277
> 5 years	3,764	5,384	0	0	3	4	3,766	5,389
Total	29,311	31,385	7,877	8,498	3,559	2,127	40,747	42,011

Leases are concluded for on average term of three years. The rents are fixed for three to six years. CGM Group did not enter into any off-balance sheet transactions in the form of capital commitments.

79. Contingent liabilities

The following table provides information on the existing contingent liabilities of CGM Group:

	Maximum liability		Liability reserves	
	31.12.2017 EUR '000	31.12.2016 EUR '000	31.12.2017 EUR '000	31.12.2016 EUR '000
Guarantees for warranties and contract execution	4,809	8,308	17	135
Pledges	2,154	1,492	866	0
Other liability risks	108	605	0	7
Total	7,072	10,405	883	142

The Group's operating activities did not include any large-scale purchase commitments. As part of a project contract concluded in November 2008 with the Vienna Hospital Group (KAV), CGM Clinical Österreich GmbH (formerly Systema HIS GmbH), gave a performance guarantee of EUR 3.6 million to KAV. The contract expired in 15 January 2017, therefore the guarantees for warranties and contract execution decreased in comparison to the prior year. In addition to that there are performance guarantees of EUR 1.498 million for CGM Poland. Furthermore, CGM SE reports credit guarantees for its Norwegian and American subsidiaries to the amount of EUR 3.122 million and pledges for domestic and foreign subsidiaries of EUR 610 thousand. Disclosures resulting from IAS 37.86 have been omitted due to reasons of practicality.

80. Disclosures on related parties

During the financial year, Group companies entered into the following transactions with related parties outside the consolidated group. These were conducted under conditions which are equivalent to those applied to external third parties to stay in accordance with the arm's length principle.

In addition, the following balances were outstanding at the end of the reporting period:

EUR '000	Sale of goods		Purchase of goods		Receivables		Liabilities	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Related persons	64	39	478	353	6	0	71	48
thereof								
Frank Gotthardt	28	17	0	0	0	0	0	0
Dr. Brigitte Gotthardt	31	18	0	0	6	0	0	0
Prof. Dr. Daniel Gotthardt	4	2	143	125	0	0	0	0
Dr. Klaus Esser	0	0	90	60	0	0	0	0
Dr. Manuela Stahlknecht	1	0	0	0	0	0	0	0
Lothar Wild	0	0	0	7	0	0	0	0
Dr. h.c. Ulrike Flach	0	0	25	40	0	0	0	48
Karl Grüner	0	0	0	7	0	0	0	0
Peter Rodorff	0	2	0	0	0	0	0	0
Dr. Ulrike Handel	0	0	40	0	0	0	0	0
Maik Pagenkopf	0	0	60	37	0	0	0	0
Klaus Schrod	0	0	60	37	0	0	71	0
René Obermann	0	0	60	40	0	0	0	0
Related companies	770	641	4,606	4,335	172	187	263	155

Consolidated Notes for the 2017 Financial Year *continued*

EUR '000	Sale of goods		Purchase of goods		Receivables		Liabilities	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016	31.12.2017	31.12.2016	31.12.2017	31.12.2016
thereof								
INFOSOFT Informations- und Dokumentationssysteme GmbH	3	1	154	233	0	0	91	7
mps public solution GmbH	281	366	3,987	3,725	61	90	171	139
KEC Kölner Eishockey-Gesellschaft „Die Haie“ mbH	7	5	156	155	0	25	0	0
KEC Vertriebs GmbH & Co. KG	54	50	50	50	3	0	0	0
RheinMassiv Verwaltung AG	0	0	1	1	0	0	1	0
Hotel am Moselstausee Immobilien GmbH & Co. KG	4	4	0	0	0	0	0	0
XL Health Aktiengesellschaft	0	0	46	67	0	0	0	0
DRF Deutschland Fernsehen Produktions GmbH & Co. KG	36	0	11	0	20	0	0	0
DRF Deutschland Fernsehen Verwaltungsgesellschaft mbH	10	76	0	23	10	61	0	9
C.I.P. GmbH	0	12	0	0	0	0	0	0
APV Ärztliche Privatverrechnungsstelle GmbH	0	28	0	0	0	2	0	0
Gotthardt Healthgroup Holding GmbH	0	30	1	0	0	9	0	0
Gotthardt Healthgroup AG	106	4	0	14	77	0	0	0
GHG Services GmbH	268	65	0	0	0	0	0	0
Gotthardt Bürotechnik GmbH	1	0	180	67	1	0	0	0
Mediteo GmbH	0	0	20	0	0	0	0	0
Associated companies	6,655	5,525	5,793	5,182	6,218	1,959	1,109	43
thereof								
Gotthardt Informationssysteme GmbH	1,838	1,982	5,678	5,167	506	492	2	37
AxiService Nice S.a.r.l.	11	38	38	10	40	43	13	0
Wikipharm S.r.l.*	0	23	0	0	0	2	0	0
Fablab S.r.l.	594	0	0	0	2,352	0	1,074	0
Technosante Nord-Picardie SAS	30	32	21	5	14	38	3	6
Smooove Software S.r.l.	0	0	56	0	0	0	17	0
MGS Meine Gesundheit Services GmbH	4,182	3,450	0	0	3,306	1,384	0	0
Total	7,489	6,205	10,877	9,870	6,396	2,146	1,443	246

* contributed into Fablab S.r.l. in February 2017

Related persons

As of 31 December 2017 Frank Gotthardt holds direct and indirect interests of 36.02 percent in CompuGroup Medical SE through GT 1 Vermögensverwaltung GmbH. In addition to that the voting rights of all pool members from two investment pools in which Mr. Gotthardt is a member have to be attributed to him. The contracts for these pools from the 2007 financial year with initial terms until 31 December 2015, were prolonged until 31 December 2027. Combined with these voting rights, Frank Gotthardt's share of voting right shares in CompuGroup Medical SE amounts to more than 45 percent since the 2007 financial year.

As a result, in addition to all of the associated companies listed in the report on equity, all investments are associated with CompuGroup Medical SE where a corporate relationship exists with Frank, Dr. Brigitte, or Prof. Dr. Daniel Gotthardt.

Private flights as well as software maintenance were invoiced for account of Frank and Dr. Brigitte Gotthardt.

In their function as a part of the Supervisory Board, remunerations were paid to Prof. Dr. Daniel Gotthardt, Dr. Klaus Esser, Dr. h.c. Ulrike Flach, René Obermann, Lothar Wild, Karl Grüner, Klaus Schrod und Maik Pagenkopf. In addition to that costs for deliveries and services from Prof. Dr. Daniel Gotthardt were incurred for the rent of a parking lot for CGM Group employees.

Related companies

After the one-time effect of a supplementary entry in the financial year 2016 and the acquisition of further licenses as well as software products of Infosoft Informations- und Dokumentationssysteme GmbH, the expenses towards this company declined again.

The unchanged billing conditions between CGM Clinical Deutschland GmbH and Mps Public Solution GmbH resulted in 2017 in a relatively constant level of deliveries and services provided and received.

KEC Kölner Eishockey-Gesellschaft "Die Haie" mbH received remuneration of EUR 150 thousand on account of the advertising agreement with CompuGroup Medical SE. An agreement regarding advertising services in Kölnarena 2 ("Naming-Right Köln Arena 2") has also been concluded with KEC Vertriebs GmbH & Co. KG. In return, CompuGroup Medical SE renders services (payroll accounting, controlling, etc.) for the company. The transaction is considered to be based on market terms and conditions.

The XL Health AG rents offices to CGM Group in Berlin. The rent is considered to be agreed at arm's length. The provided delivery and service for DRF Deutschland Fernsehen GmbH in the reporting period mainly consist of services like supply of the car pool. Received services involved the creation of advertisement films commissioned by CGM. Provided delivery and service for Gotthardt Healthgroup Holding GmbH mainly consists of software maintenance and hosting service. CGM obtained leasing services for its copying machines from Gotthardt Bürotechnik GmbH.

In line with the cooperation agreement, which has been concluded in 2016 between CGM Deutschland AG and GHG Services GmbH, services regarding the development and use of the "GHG-Praxisdienst" software and its integration into the CGM AIS were invoiced.

Associated companies

After the expansion of sales activities of Gotthardt Informationssysteme GmbH as a sales and service partner of CGM in 2016, a solid level was achieved in 2017, with only slight growth. The increase of sale of goods is based on the already existing activity as a sales and service partner in the offsetting of the software maintenance for customer service, hotline and training.

As a parent company CompuGroup Medical Italia SpA provided services to Fablab S.r.l.. The amount stated in the column receivables are based on services rendered in 2016 and 2017 as well as outstanding dividend payments. Liabilities result from cash pooling with the parent company CompuGroup Medical Italia SpA.

The extent of the services provided by MGS Meine Gesundheit Services GmbH during the reporting period were not subject to any significant change.

81. Declaration of conformity with the German Corporate Governance Codex

The declaration of conformity pursuant to Section 161 AktG was issued by the Management Board and the Supervisory Board and is publicly accessible on the Company's website (http://www.cgm.com/corp/investor_relations/corporate_governance/Uebersicht_CG.de.jsp).

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

The following table depicts the total fees payable, including expenses and all incidental expenses of PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, for the 2017 financial year.

The item "Auditing financial statements" includes the fees for auditing the single-entity financial statements, the consolidated statements, and the dependent company report of CompuGroup Medical SE, as well as the fees for auditing various subsidiaries.

EUR '000	31.12.2017	31.12.2016
Auditing financial statements	753	628
Other confirmatory services	7	6
Tax advisory	45	122
other services	469	169
Total	1,274	925

In addition to the listed auditing fees prior-period expenses in the amount of EUR 30 thousand accrued (previous year: EUR 87 thousand).

83. Significant post balance sheet events

No material events have occurred after the balance sheet date.

Consolidated Notes for the 2017 Financial Year *continued***84. Management Board and Supervisory Board****Members of the Management Board**

Surname	Name	Occupation held/membership in supervisory boards and other controlling bodies
Management Board Gotthardt	Frank (Chairman)	Chief Executive Officer Chairman of the Supervisory Board of Rhein Massiv Verwaltung AG, Koblenz Chairman of the Supervisory Board of CompuGroup Medical Deutschland AG, Koblenz Member of the Supervisory Board of XLHEALTH AG, Berlin
Teig	Christian B.	Chief Financial Officer Member of the Supervisory Board of CompuGroup Medical Deutschland AG, Koblenz
Eibich	Uwe	Chief Officer Telematics & eHealth-platforms Chairman of the Supervisory Board of KoCo Connector GmbH, Berlin (until 4 October 2017)
Brecher	Frank	Chief Process Officer Chairman of the Supervisory Board of EBM eHealth Business Media AG, Hamburg

Members of the Supervisory Board

Surname	Name	Occupation held/membership in supervisory boards and other controlling bodies
Supervisory Board Esser	Dr. Klaus (Chairman)	Director, Klaus Esser Verwaltungs GmbH, Düsseldorf
Flach (until 10. May 2017)	Dr. h.c. Ulrike	Parliamentary State Secretary, retired
Obermann (until 13. December 2017)	René	Partner at Warburg Pincus LLC, New York, USA Chairman of the Supervisory Board of inexo Informationstechnologie und Telekommunikation KGaA, Saarlouis Chairman of the Supervisory Board of Strato AG, Berlin Member of the Supervisory Board of ThyssenKrupp AG, Essen
Gotthardt	Prof. Dr. Daniel (assisting chairman)	CEO Mediteo GmbH, Heidelberg Chairman of the Supervisory Board of Gotthardt Healthgroup AG, Heidelberg Chairman of the Supervisory Board of XLHEALTH AG, Berlin
Handel (since 15. May 2017)	Dr. Ulrike	CEO Dentsu Aegis Network Germany, Wiesbaden
Seifert (since 13. February 2018)	Thomas	CFO Cloudfare, Inc. San Francisco, USA Member of the Supervisory Board of IPG Photonics Corp., Delaware, USA
Pagenkopf	Maik (Employee-representative)	Qualified IT specialist for application development at CGM Clinical Deutschland GmbH, Koblenz
Schrod	Klaus (Employee-representative)	Department head at CGM subsidiary AESCU DATA Gesellschaft für Datenverarbeitung mbH, Winsen (Luhe)

85. Remuneration of the Management Board

The total remuneration of Management Board members is comprised of fixed and performance-related components. The level of compensation is mainly dependent on the responsibilities of the particular Management Board member, his or her personal performance, and the economic situation of the Company. In addition, the Company's success and future outlook amidst relevant peers are important criteria in determining the remuneration. The components of fixed remuneration are fixed salary and fringe benefits while performance-based remuneration components consist of variable bonus payments.

Fixed salary, basic, non-performance-related remuneration, is paid monthly. In addition, members of the Management Board receive benefits in the form of benefits in kind, consisting mainly of the use of company cars. The use of company cars is taxed as a result of its designation as a remuneration component for the respective Management Board member.

The performance-related compensation depends on goals agreed individually with each Management Board member, including goals measured over a multi-year period (long-term incentive). For all members of the Management Board, the multiannual period goals are based on organic growth and EBITA. The (quantitative and qualitative) goals and their weighting provide the basis for the bonus scheme and are in line with sustainable corporate management pursuant to Section 87 AktG.

No loans were granted to members of the Management Board during the financial year. The amount of performance-related remuneration is linked to individually agreed goals. During the financial year, no member of the Management Board received payments or benefits from third parties in respect of their duties as members of the Management Board. No pension commitments exist for any members of the Management Board.

On 17 March 2016, the Supervisory Board of CompuGroup Medical SE appointed **Christian B. Teig** for a third four-year term starting 1 October 2016 and ending 30 September 2020 to the Management Board as CFO. In addition to an annual fixed remuneration in the amount of EUR 400,000, Christian B. Teig has been promised a performance fee of up to EUR 200,000 per year. Furthermore, Christian B. Teig has been promised a sustainable bonus in the amount of EUR 200,000 per year in line with a separate long-term incentive agreement. The first performance-related remuneration component depends on the achievement of the individually agreed annual targets for the financial year. The second performance-related remuneration component is based on the average EBITA and average organic growth in the financial year and the previous period.

As a non-performance-related benefit, Christian B. Teig is provided with a company car, which net acquisition price amounts to a maximum of EUR 120,000. At the Supervisory Board meeting on 17 March 2016, the exercise period for Christian B. Teig's 375,000 share options with an exercise price of EUR 5.50 per share was extended to 30 September 2020. The stock options may be exercised without any further conditions at any time before this date (American options).

If Christian B. Teig were to become permanently disabled during the contract period, the service contract will conclude six months after determination of his incapacity to work. In the event of termination by the Company, Christian B. Teig would receive a severance payment up to an amount EUR 1,800,000 or the amount of the total remuneration that would have been payable for the remaining term of the employment contract after early termination. The employment contract also includes a change of control clause according to which Christian B. Teig is entitled to resign in the event of a change of control within one month at the end of the month and receive the aforementioned severance payment in full.

On 17 August 2016 a performance-related remuneration up to a maximum amount of EUR 162,500 was agreed for the period 1 January until 31 December 2016. This remuneration is composed of three equally weighted components, each with a maximum of EUR 54,167 per year. All three components are linked to the achievement of individually defined performance targets agreed upon for the above mentioned period.

On 8 September 2016, the Supervisory Board of CompuGroup Medical SE appointed **Uwe Eibich** for an additional four-year term from 1 January 2017 to 31 December 2020 as "Executive Vice President Central Europe". In addition to an annual fixed remuneration of EUR 400,000, Uwe Eibich has been promised a performance fee of up to EUR 100,000 per year. The performance-related component of remuneration depends on the achievement of individually defined performance targets for the financial year which are agreed annually. Furthermore, Uwe Eibich has been promised a performance-based remuneration of up to EUR 600,000 which is staggered over the duration of the contract. The second performance-based compensation component is measured firstly from the revenues generated by the transactions within the scope of the nationwide roll-out of the Telematik Infrastructure in Germany and secondly on recurring revenues achieved with eHealth services, CGM is offering based on Telematik Infrastructure. As a non-performance-related benefit, Uwe Eibich is provided with a company car. If Uwe Eibich were to be permanently incapacitated or pass away during the contract period, the fixed annual salary and the variable portion of his compensation will be paid for a period of three months (death benefits will be paid to surviving dependents). In the event of termination by the Company, Uwe Eibich will receive a severance payment equal to the pro rata amount of his total remuneration until the end of his term. The payment is limited to a maximum amount of EUR 600,000.

On 14 December 2012, the Supervisory Board of CompuGroup Medical SE appointed **Frank Gotthardt** as Chief Executive Officer (CEO) for an additional term of 4.5 years from 1 July 2013 to 31 December 2017. In addition to an annual fixed remuneration of EUR 660,000, Frank Gotthardt has been promised a performance fee linked to the average EBITA and the average organic growth in the financial year and the following two years. Because the contract term is limited to the end of 2017, the period of averaging is reduced from the 2016 financial year. In the last year of his term (the 2017 financial year), the amount of the bonus depends also on the level of recurring revenues, which must be higher in the 2018 financial year than in the 2017 financial year. Otherwise, the bonus for the 2017 financial year is reduced proportionally. If Frank Gotthardt were to be permanently incapacitated or pass away during the contract period, the fixed annual salary and the variable portion of compensation will be paid (death benefits will be paid to surviving dependents) for a period of three months.

For informational purpose it is noted, that the Supervisory Board appointed Frank Gotthardt for an additional five-year-term from 1 January 2018 to 31 December 2022 as Chief Executive Officer (CEO).

On its meeting on 19 March 2015, the Supervisory Board of CompuGroup Medical SE decided to expand the Executive Board with the department "Process and Efficiency Management" and appointed **Frank Brecher** with effect from 1 April 2015 for this new position as "Chief Process Officer".

In addition to an annual fixed remuneration of EUR 300,000, Frank Brecher has been promised a performance fee of up to EUR 200,000 per year. The performance-related component of remuneration depends on the achievement of individually defined performance targets for the financial year which are agreed to annually. Furthermore, Frank Brecher has been promised a maximum performance fee of EUR 400,000 which has been promised over the contract term. The second performance-based compensation component is measured by the EBITA and by the organic growth in the financial year. As a non-performance benefit, Frank Brecher will be provided with a company car whose net acquisition price amounts to a maximum of EUR 120,000. If Frank Brecher becomes permanently incapacitated or passes away during the contract period, the fixed annual salary and the variable portion of his compensation will be paid for a period of three months (death benefits will be paid to surviving dependents). In the event of termination by the Company, Frank Brecher will receive a severance payment equal to the pro rata amount of his total remuneration until the end of his term. The payment is limited to a maximum amount of EUR 900,000.

Consolidated Notes for the 2017 Financial Year *continued*

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

Management Board remuneration 2017 pursuant to IAS 24.17

Name	Short-term benefits EUR	Other long-term benefits EUR	Total compensation EUR
Gotthardt, Frank	660,000	1,422,598	2,082,598
Eibich, Uwe	466,371	123,200	589,571
Teig, Christian B.	606,274	140,340	746,614
Brecher, Frank	330,902	57,600	388,502
Total	2,063,547	1,743,738	3,807,285

Management Board remuneration 2016 pursuant to IAS 24.17

Name	Short-term benefits EUR	Other long-term benefits EUR	Total compensation EUR
Gotthardt, Frank	660,000	1,963,990	2,623,990
Eibich, Uwe	519,739	100,000	619,739
Teig, Christian B.	585,612	48,137	633,749
Brecher, Frank	452,189	70,206	522,395
Total	2,217,540	2,182,333	4,399,873

Remuneration information pursuant to Section 314 (1) No. 6 HGB**Management Board remuneration 2017**

Name	Fixed compensation EUR	Variable bonus (performance) EUR	Fringe benefits EUR	Total compensation EUR
Gotthardt, Frank	660,000	1,195,275	0	1,855,275
Eibich, Uwe	400,000	4,426	36,371	440,797
Teig, Christian B.	400,000	334,157	41,274	775,431
Brecher, Frank	300,000	29,461	30,902	360,363
Total	1,760,000	1,563,319	108,547	3,431,866

Management Board remuneration 2016

Name	Fixed compensation EUR	Variable bonus (performance) EUR	Fringe benefits EUR	Total compensation EUR
Gotthardt, Frank	660,000	535,315	0	1,195,315
Eibich, Uwe	300,000	557,991	36,329	894,320
Teig, Christian B.	325,000	231,670	37,596	594,266
Brecher, Frank	300,000	122,311	25,628	447,939
Total	1,585,000	1,447,287	99,553	3,131,840

86. Remuneration of the Supervisory Board

Supervisory Board remuneration is based on an annual fixed amount. The annual fixed amount was increased in 2017 by resolution of the general meeting on 10. May 2017. Employee representatives on the Supervisory Board receive additional remuneration for activities outside the Supervisory Board which are compensated at market rates. Total payments to the Supervisory Board amounted to EUR 395 thousand in the 2017 fiscal year (previous year: EUR 317 thousand).

87. Release from disclosure requirement

All companies incorporated in Germany with profit transfer agreements claim the right of exception under Section 264 (3) HGB not to publish annual financial statements. This concerns the following companies:

- CGM Clinical Deutschland GmbH, Koblenz
- CompuGroup Medical Dentalsysteme GmbH, Koblenz
- CompuGroup Medical Deutschland AG, Koblenz
- CompuGroup Medical Software GmbH, Koblenz
- IfAp Service-Institut für Ärzte und Apotheker GmbH, Martinsried
- Intermedix Deutschland GmbH, Koblenz
- LAUER-FISCHER GmbH, Fürth
- CGM IT Solutions and Services GmbH, Koblenz
- CompuGroup Medical Mobile GmbH, Koblenz
- LAUER-FISCHER ApothekenService GmbH, Koblenz
- Meditec Marketingservices im Gesundheitswesen GmbH, Steinhagen

Changes in Intangible and Tangible Assets in the 2017 Financial Year

	01.01.2017 EUR '000	Initial consolidation additions EUR '000	Purchase or manufacturing costs				Currency differences EUR '000	31.12.2017 EUR '000
			Other additions EUR '000	Transfers EUR '000	Disposals EUR '000			
Intangible assets								
Goodwill	277,384	5,660	0	0	0	-5,209	277,835	
Acquired software	228,344	1,312	5,131	3,776	-1,189	-6,413	230,961	
Customer relationships	235,021	6,017	0	0	-6	-6,565	234,467	
Brands	31,760	329	0	-12	-52	-647	31,378	
Order backlogs	9,115	0	0	0	0	-40	9,075	
Capitalized in-house services	91,796	0	17,600	0	0	-293	109,103	
Prepayments on software	5,833	0	155	-3,754	-88	-11	2,135	
	879,253	13,318	22,886	10	-1,335	-19,178	894,954	
Tangible assets								
Land and buildings	57,985	31	3,101	2,046	-645	-4	62,514	
Other assets, plant and office equipment	57,645	183	15,529	546	-6,240	-1,298	66,365	
Assets under construction	2,935	0	43	-2,602	-6	-1	369	
	118,565	214	18,673	-10	-6,891	-1,303	129,248	
	997,818	13,532	41,559	0	-8,226	-20,481	1,024,202	
Assets for sale	1,222	0	0	0	-1,222	0	0	
	999,040	13,532	41,559	0	-9,448	-20,481	1,024,202	

01.01.2017 EUR '000	Depreciation			31.12.2017 EUR '000	Book value	
	Additions EUR '000	Disposal EUR '000	Currency differences EUR '000		31.12.2017 EUR '000	31.12.2016 EUR '000
15,385	0	0	0	15,385	262,450	261,999
186,834	10,768	-1,196	-5,832	190,574	40,387	41,510
77,749	12,540	-5	-2,190	88,094	146,373	157,272
20,953	2,859	-47	-525	23,240	8,138	10,807
8,738	298	0	-40	8,996	79	377
31,153	2,763	0	-109	33,807	75,296	60,643
250	0	0	0	250	1,885	5,583
341,062	29,228	-1,248	-8,696	360,346	534,608	538,191
11,294	2,241	-506	-36	12,993	49,521	46,691
33,364	6,906	-5,798	-1,085	33,387	32,978	24,281
56	0	0	0	56	313	2,879
44,714	9,147	-6,304	-1,121	46,436	82,812	73,851
385,776	38,375	-7,552	-9,817	406,782	617,420	612,042
0	0	0	0	0	0	1,222
385,776	38,375	-7,552	-9,817	406,782	617,420	613,264

Changes in Intangible and Tangible Assets in the 2016 Financial Year

	01.01.2016 EUR '000	Initial consolidation additions EUR '000	Purchase or manufacturing costs				Currency differences EUR '000	31.12.2016 EUR '000
			Other additions EUR '000	Transfers EUR '000	Disposals EUR '000			
Intangible assets								
Goodwill	273,860	2,464	153	0	0	907	277,384	
Acquired software	242,987	125	1,793	4,267	-20,319	-509	228,344	
Customer relationships	225,157	8,074	25	-131	61	1,835	235,021	
Brands	31,007	489	13	131	0	120	31,760	
Order backlogs	9,834	0	0	0	-719	0	9,115	
Capitalized in-house services	80,630	0	11,093	0	0	73	91,796	
Prepayments on software	6,683	0	3,643	-4,373	-97	-23	5,833	
	870,158	11,152	16,720	-106	-21,074	2,403	879,253	
Tangible assets								
Land and buildings	52,416	0	6,696	104	-1,168	-64	57,985	
Other assets, plant and office equipment	49,865	150	13,465	1,104	-7,102	163	57,645	
Assets under construction	1,151	0	2,951	-1,102	-65	0	2,935	
	103,433	150	23,112	106	-8,335	99	118,565	
	973,590	11,302	39,832	0	-29,409	2,502	997,818	
Assets for sale	1,222	0	0	0	0	0	1,222	
	974,812	11,302	39,832	0	-29,409	2,502	999,040	

Depreciation				Book value		
01.01.2016 EUR '000	Additions EUR '000	Disposal EUR '000	Currency differences EUR '000	31.12.2016 EUR '000	31.12.2016 EUR '000	31.12.2015 EUR '000
10,999	4,386	0	0	15,385	261,999	261,861
195,362	12,019	-20,314	-233	186,834	41,510	47,624
64,586	12,562	61	540	77,749	157,272	160,571
17,836	2,972	0	145	20,953	10,807	13,171
9,169	289	-720	0	8,738	377	665
27,988	3,172	0	-7	31,153	60,643	52,641
250	0	0	0	250	5,583	6,433
326,190	35,400	-20,973	445	341,062	538,191	543,967
10,601	1,854	-1,164	3	11,294	46,691	41,816
32,382	6,569	-5,704	117	33,364	24,281	17,483
56	0	0	0	56	2,879	1,096
43,039	8,423	-6,868	120	44,714	73,851	60,394
369,229	43,823	-27,841	565	385,776	612,042	604,361
0	0	0	0	0	1,222	1,222
369,229	43,823	-27,841	565	385,776	613,264	605,583

Segment Report for the 2017 Financial Year (old structure)

EUR'000	Segment I: Health Provider Services I (HPS I)		Segment II: Health Provider Services II (HPS II)		Segment III: Health Connectivity Services (HCS)	
	2017 Jan – Dec	2016 Jan – Dec	2017 Jan – Dec	2016 Jan – Dec	2017 Jan – Dec	2016 Jan – Dec
Sales to third parties	442,615	422,801	77,915	74,512	61,694	62,764
Sales between segments	7,317	7,202	11,270	11,624	14,331	6,717
Segment Sales	449,931	430,003	89,186	86,136	76,025	69,480
thereof recurring sales	324,514	314,271	44,430	41,538	18,879	18,842
Capitalized inhouse services	5,855	3,648	0	200	3,436	559
Other income	4,417	3,702	2,505	2,885	2,454	2,443
Expenses for goods and services purchased	-85,512	-78,009	-16,804	-19,662	-27,213	-24,401
Personnel costs	-166,200	-161,409	-47,592	-48,829	-21,695	-21,292
Other expense	-85,729	-74,691	-15,669	-13,738	-8,971	-11,184
EBITDA	122,762	123,245	11,626	6,991	24,037	15,605
in % of sales	27.3%	28.7%	13.0%	8.1%	31.6%	22.5%
Depreciation of property, plants and tangible assets						
Amortization of intangible 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: net income before minority interests plus amortization on intangible assets except amortization on in-house capitalized software

All other Segments		Sum Segments		Consolidation		CGM Group	
2017 Jan – Dec	2016 Jan – Dec	2017 Jan – Dec	2016 Jan – Dec	2017 Jan – Dec	2016 Jan – Dec	2017 Jan – Dec	2016 Jan – Dec
120	118	582,344	560,195	0	0	582,375	560,195
3,158	3,130	36,076	28,673	-36,076	-28,673	0	0
3,278	3,248	618,420	588,868	-36,045	-28,673	582,375	560,195
12	12	387,835	374,662	0	0	387,835	374,662
7,041	5,514	16,333	9,922	474	397	16,806	10,318
6,078	4,826	15,454	13,855	-4,805	-5,925	10,649	7,930
-231	-73	-129,760	-122,145	22,611	17,784	-107,149	-104,361
-12,270	-9,853	-247,756	-241,384	-21,768	-18,699	-269,524	-260,083
-19,517	-14,600	-129,886	-114,213	25,173	25,881	-104,714	-88,332
-15,621	-10,938	142,804	134,903	-14,360	-9,236	128,444	125,667
		23.1%	22.9%			22.1%	22.4%
						-9,147	-8,424
						-29,228	-35,399
						90,069	81,844
						-1,136	-1,409
						3,754	8,086
						-27,131	-14,308
						65,556	74,213
						-33,813	-29,743
						-61	0
						31,682	44,470
						5.4%	7.9%
						58,147	76,698

Segment Report for the 2017 Financial Year (new structure)

EUR'000	Segment I: Ambulatory Information Systems (AIS)		Segment II: Pharmacy Communication Systems (PCS)		Segment III: Hospital Information Systems (HIS)	
	2017 Jan – Dec	2016 Jan – Dec	2017 Jan – Dec	2016 Jan – Dec	2017 Jan – Dec	2016 Jan – Dec
Sales to third parties	334,089	323,690	104,794	97,655	100,834	96,249
Sales between segments	16,555	6,068	17,932	4,497	2,741	5,328
Segment Sales	350,644	329,758	122,726	102,152	103,575	101,577
thereof recurring sales	256,525	249,508	66,414	63,239	61,172	57,798
Capitalized inhouse services	9,291	4,207	0	0	6,109	5,018
Other income	3,845	3,568	747	860	2,364	4,586
Expenses for goods and services purchased	-73,636	-65,436	-42,355	-24,153	-19,176	-21,181
Personnel costs	-125,771	-123,464	-36,376	-34,523	-60,396	-61,297
Other expense	-63,955	-53,564	-18,899	-19,396	-22,370	-21,667
EBITDA	100,419	95,070	25,842	24,939	10,106	7,036
in % of sales	28.6%	28.8%	21.1%	24.4%	9.8%	6.9%
Depreciation of property, plants and tangible assets						
Amortization of intangible 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: net income before minority interests plus amortization on intangible assets except amortization on in-house capitalized software

Segment IV: Health Connectivity Services (HCS)		All other Segments		Sum Segments		Consolidation		CGM Group	
2017 Jan – Dec	2016 Jan – Dec	2017 Jan – Dec	2016 Jan – Dec	2017 Jan – Dec	2016 Jan – Dec	2017 Jan – Dec	2016 Jan – Dec	2017 Jan – Dec	2016 Jan – Dec
42,506	42,483	120	118	582,343	560,196	32	0	582,375	560,196
6,376	6,136	3,158	3,130	46,762	25,159	-46,762	-25,159	0	0
48,882	48,620	3,278	3,248	629,105	585,355	-46,731	-25,159	582,375	560,196
3,711	4,106	12	12	387,835	374,662	0	0	387,835	374,662
0	0	932	696	16,333	9,921	474	397	16,806	10,318
566	1,863	6,078	2,978	13,600	13,855	-2,950	-5,925	10,649	7,930
-12,692	-13,852	-231	-73	-148,090	-124,696	40,941	20,335	-107,149	-104,361
-11,701	-12,247	-14,673	-9,853	-248,918	-241,383	-20,606	-18,700	-269,524	-260,083
-5,332	-6,069	-8,674	-7,453	-119,230	-108,148	14,517	19,816	-104,714	-88,332
19,723	18,315	-13,291	-10,457	142,800	134,904	-14,356	-9,236	128,444	125,668
40.3%	37.7%			22.7%	23.0%			22.1%	22.4%
								-9,147	-8,424
								-29,228	-35,399
								90,069	81,844
								-1,136	-1,409
								3,754	8,086
								-27,131	-14,308
								65,556	74,213
								-33,813	-29,743
								-61	0
								31,682	44,470
								5.4%	7.9%
								58,147	76,698

Segment Report by Regions for the 2017 Financial Year

EUR '000	CER		CEE		NER		SER	
	2017	2016	2017	2016	2017	2016	2017	2016
Sales to third parties	284,435	272,063	73,065	84,595	75,927	83,182	102,195	93,661
Non-current assets without deferred taxes	148,925	296,641	85,964	88,273	95,102	89,091	58,627	58,407

The CER (Central Europe Region) region comprises the domestic market only (Germany).

USC		Sum regions		All other regions		Consolidation		CGM Group	
2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
38,484	39,737	574,106	573,238	8,354	7,599	-85	-20,643	582,375	560,195
102,347	110,185	490,964	642,598	674,173	479,255	-524,123	-492,057	641,014	629,797

Statement by the Management Board

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

Koblenz, 16 March 2018

CompuGroup Medical Societas Europaea
The Management Board



Frank Gotthardt



Frank Brecher



Uwe Eibich



Christian B. Teig

Independent Auditor's Report To CompuGroup Medical SE, Koblenz

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE GROUP MANAGEMENT REPORT

Audit Opinions

We have audited the consolidated financial statements of CompuGroup Medical SE, Koblenz, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of comprehensive income, consolidated statement of profit or loss, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from 1 January to 31 December 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of CompuGroup Medical SE, which is combined with the Company's management report for the financial year from 1 January to 31 December 2017. We have not audited the content of the statement on corporate governance pursuant to § Article 289f HGB Handelsgesetzbuch: German Commercial Code and § 315d HGB in accordance with the German legal requirements.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315e Abs. paragraph 1 HGB and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2017, and of its financial performance for the financial year from 1 January to 31 December 2017, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the group management report does not cover the content of the statement on corporate governance referred to above.

Pursuant to § 322 Abs. 3 Satz sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer Institute of Public Auditors in Germany (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2017. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matters of most significance in our audit were as follows:

1. Recoverability of goodwill
2. Development cost for internally generated software

Our presentation of these key audit matters has been structured in each case as follows:

- a. Matter and issue
- b. Audit approach and findings
- c. Reference to further information

Hereinafter we present the key audit matters:

1. Recoverability of goodwill
 - a. In the Company's consolidated financial statements goodwill amounting in total to € 262 million (32 % of consolidated total assets or 111% of equity) is reported under the „Intangible Assets“ balance sheet item. Goodwill is tested for impairment by the Company once a year or when there are indications of impairment to determine any possible need for write-downs. The impairment test is performed on the level of those groups of cash-generating units to which the respective goodwill is allocated. The carrying amount of the relevant cash-generating units, including goodwill, is compared with the corresponding recoverable amount in the context of the impairment test. The recoverable amount is generally determined using the value in use. The present value of future cash flows of the respective group of cash-generating units normally serves as the basis of valuation. The present values are calculated using discounted cash flow models. For this purpose, the adopted medium-term business plan of the Group serves as a starting point which is extrapolated on the basis of assumptions about long-term growth rates. In doing so, expectations of future market developments and assumptions regarding the development of macroeconomic factors are also

Independent Auditor's Report *continued*

To CompuGroup Medical SE, Koblenz

taken into account. The discount rate used is the weighted average costs of capital for the respective group of cash generating units. The impairment test determined that no write-downs were necessary.

The outcome of this valuation exercise is dependent to a large extent on the estimates made by the executive directors with respect to the future cash inflows from the respective group of cash-generating units, the discount rate used, the rate of growth and other assumptions, and is therefore subject to considerable uncertainty. Against this background and due to the complexity of the measurement, this matter was of particular significance in the context of our audit.

- b. As part of our audit, we, among other things, assessed the methodology employed for performing the impairment test. After matching the future cash inflows used for the calculation against the adopted medium-term business plan of the Group, we assessed the appropriateness of the calculation in particular by reconciliation with general and sector-specific market expectations. Supplementary adjustments to the medium-term business plan for the purpose of the impairment test were assessed and discussed by us with the responsible employees of the Company. We also assessed the appropriate consideration of the costs of Group functions. With the knowledge that even relatively small changes in the discount rate applied can have material impact on the corporate value calculated in this way, we focused our testing in particular on the parameters used to determine the discount rate applied, and assessed the calculation model. In order to reflect the uncertainties inherent in the projections, we evaluated the sensitivity analyzes performed by the company and carried out our own sensitivity analyzes for those groups of cash generating units with little headroom (carrying amount compared to the recoverable amount). Taking into account the information available, we determined that the carrying amounts of the cash-generating units, including the allocated goodwill, were adequately covered by discounted future cash flows.

Overall, the measurement parameters and assumptions used by the executive directors are in line with our expectations and are also within the ranges considered by us to be reasonable.

- c. The Company's disclosures pertaining to the impairment test and goodwill are contained in notes E.40 a), b), c) of the notes to the consolidated financial statements.
2. Development cost for internally generated software
- a. In the Company's consolidated financial statements a total amount of € 75.2 million is reported as "internally generated software" under the "Intangible assets" balance sheet item. This amount relates to development costs for software which were capitalized in accordance with the requirements of IAS 38. In the financial year capitalized internally generated software contributed € 17.6 million to the Group income. The capitalization of a software project depends on the criteria of IAS 38.57 and provides considerable scope for judgement. Against this background and due to the underlying complexity of the methodological requirements related to the valuation pursuant to IAS 38.65 et seq. this matter was of particular significance in the context of our audit.
 - b. In the course of our audit, we, among other things, we inquired about the development process of the Company and assessed the methodological approach for the determination of the development costs eligible for capitalization. We assessed the capitalization requirements for each material project using the criteria set out in IAS 38.57. For this purpose, we obtained and evaluated underlying documents and evidence for the eligibility of capitalization. Through inquiries with project managers and inspection of project documents, we satisfied ourselves as of the respective project progress. The amount of development costs capitalized in accordance with IAS 38.65 et seq. and the recoverability of the software already in use have been assessed on the basis of suitable evidence.

The methodology used by the company to capitalize the software projects is, in our view, overall appropriate, and the assessments and assumptions made by the executive directors regarding project progress and the capitalization of development costs are adequately documented and substantiated.

- c. The Company's disclosures pertaining to the internally generated software are contained in section E.40 e) of the notes to the consolidated financial statements.

Other Information

The executive directors are responsible for the other information. The other information comprises the statement on corporate governance pursuant to § 289f HGB and § 315d HGB, which we obtained prior to the date of our auditor's report.

The annual report and the separate non-financial report pursuant to § 289b Abs. 3 HGB and § 315b Abs. 3 HGB is expected to be made available to us after the date of the auditor's report.

Our audit opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB.

Independent Auditor's Report *continued*

To CompuGroup Medical SE, Koblenz

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on 10 May 2017. We were engaged by the supervisory board on 2 October 2017. We have been the group auditor of the CompuGroup Medical SE, Koblenz, without interruption since the financial year 2006.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Dr. Ralf Worster.

Frankfurt am Main, 16 March 2018

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Dr. Ralf Worster
Wirtschaftsprüfer
(German Public Auditor)

Stefan Sigmann
Wirtschaftsprüfer
(German Public Auditor)

Share Information

The CompuGroup Medical share is listed on the Frankfurt Stock Exchange, Prime Standard, under the ticker COP (FRA:COP). The shares are traded inter alia through the world-wide electronic trading system XETRA. As at 31 December 2017, there were 53.2 million shares outstanding, each with a calculated value of EUR 1.00.

Key data per share

		2017	2016	2015
Year-end price	€	54.72	38.95	33.80
Year high	€	57.92	42.94	36.40
Year low	€	36.12	31.65	19.79
Year average	€	46.85	37.50	28.41
Yearly trade	€m	616.6	405.3	338.3
	Shares m	13.1	10.7	11.7
Number of shares	Shares m	53.2	53.2	53.2
Market capitalization ¹	€m	2,913.50	2,072.9	1,821.1
Earnings per share	€	0.63²	0.90	0.77
Dividend per share	€	0.35²	0.35	0.35
Dividend payout	€m	17.4	17.4	17.4
Dividend yield ¹	%	0.64	0.90	1.04

1 As of 31 December.

2 Proposal to the Annual General Meeting

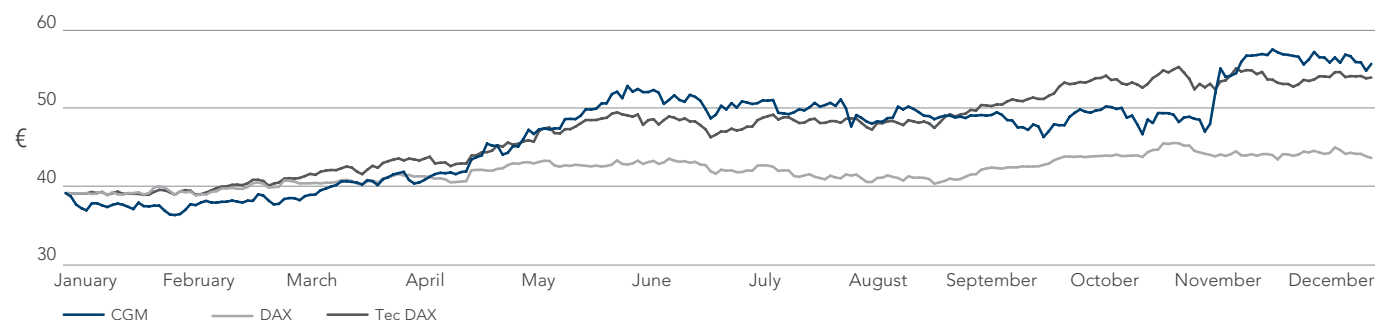
3 Related to net income of CGM SE

Share development

The CGM share began 2017 with a share price of EUR 38.96. The high for the year was reached on 29 November 2017 with EUR 57.92. The share ended 2017 at EUR 54.72. This represents an increase of 40.5 percent, bringing the total market capitalization up EUR 840.6 million to a total of EUR 2.9 billion at the end of the year 2017.

The yearly trading volume reached 13.0 million in 2017. The average daily trading volume in 2017 was approx. 51,000 shares (previous year: approx. 42,000).

The share price development during 2017 can be seen below:



Dividend

In the 2017 financial year EUR 17.4 million were paid out corresponding to a dividend per share of EUR 0.35. In 2018, the Management and Supervisory Board will propose the payment of a dividend of EUR 0.35 per share to the Annual General Meeting held on 15 May 2018. Subject to the shareholder's approval, the dividend amount would total EUR 17.4. Based on the 2017 closing share price (EUR 54.72), this would equate to a dividend yield of 0.64 percent.

Share data

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

Investor Relations

The Management Board and the Supervisory Board of CompuGroup Medical SE identify with the objectives of the German Corporate Governance Code of promoting responsible and transparent management and control oriented to a sustainable increase in shareholder value.

Investors and capital market participants are to be provided consistent, timely and precise information simultaneously. CompuGroup Medical, as an international company with investors across the globe, publishes all news and press releases in English as well as German.

The Investor Relations section of the company's corporate website www.cgm.com is an important tool containing up-to-date information on the company's financial performance and stock market information. User may also find financial reports, an updated financial calendar, detailed company information and other important data for the financial markets. In conjunction with the release of its interim and full year financial results, CGM gives public presentations to investors, analysts and press.

During the year, CompuGroup Medical held numerous physical meetings and phone calls with German and international investors and analysts and participated in international capital market conferences and roadshows in Europa and the USA.

CGM also held telephone conferences and analyst meetings when publishing quarterly results. In October 2017, CGM held an investor and analyst conference at its company headquarter in Koblenz. The presentations covered the most important growth topics in the Group currently, specifically growth initiatives in the HCS segment and the opportunities around the eGK and Telematics Infrastructure in Germany.

At the end of the year, the number of analysts that regularly follow CompuGroup Medical amounted to seven, all of them based in Germany. With four buy, three hold recommendations, the analysts presented a positive view of the CompuGroup Medical share. The forecast price targets ranged from EUR 51.50 to EUR 65.00 at the end of 2017.

Financial Calendar 2018

Date	Event
29 March 2018	Annual Report 2017
03 May 2018	Interim Report Q1 2018
15 May 2018	Annual General Shareholder Meeting
09 August 2018	Interim Report Q2 2018
18 October 2018	Investor and Analyst conference
08 November 2018	Interim Report Q3 2018

Imprint

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Chairman of the Supervisory Board:

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We will publish our CSR-Report in April 2018.

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