

Group Management Report

for the Financial Year 2009

PRELIMINARY REMARKS

The management report of CompuGROUP Holding AG for the financial year 2009 shows certain differences in comparison with the prior year report with regard to its structure. The goal of these changes is to improve the informational value and to render the reporting more comprehensible.

5 YEARS OVERVIEW

Significant items	2009 EUR m	2008 EUR m	2007 EUR m	2006 EUR m	2005 EUR m
Group sales	293.41	229.19	180.19	140.12	115.96
Expenses for goods and services purchased	61.03	49.25	39.03	32.78	26.34
Personnel expenses	130.18	95.77	65.61	48.81	37.24
Other expenses	53.09	47.07	34.75	28.12	20.30
EBITDA	59.17	49.32	50.61	38.35	39.81
in %	20.17%	21.52%	28.09%	27.37%	34.33%
EBIT	24.80	12.80	27.44	21.91	26.76
in %	8.45%	5.58%	15.23%	15.64%	23.08%
EBT	18.32	6.98	23.02	19.83	24.67
in %	6.24%	3.05%	12.78%	14.15%	21.27%
Group net income	11.72	1.27	22.84	11.36	15.39
in %	3.99%	0.55%	12.68%	8.13%	13.27%

FINANCIAL REVIEW

Revenue

Consolidated revenue in 2009 was EUR 293.4 million compared to EUR 229.2 million in 2008. This represents an increase of 28 percent. Acquisitions contribute 20 percent to growth and organic growth was 8 percent (10 percent at constant exchange rates).

In the HPS segment, revenue was EUR 223.6 million compared to EUR 156.5 million in 2008. This represents an increase of 43 percent of which 15 percent is organic growth at constant exchange rates. Ambulatory Information Systems (AIS) grew strongly at 45 percent of which 13 percent is real organic growth at constant exchange rates.

Changes to the AIS business model in Germany make up 7 out of the 13 percent organic growth rate, and the remaining organic growth primarily stems from new value-added products and services sold to existing customers.

Within Hospital Information Systems (HIS) the year-on-year growth was 40 percent going from 2008 to 2009 of which 17 percent is real organic growth at constant exchange rates. The increased hospital business volume stems from large contract wins in 2008 and also from one-off deliveries of third party hardware and software in conjunction with these projects (EUR 3.5 million).

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

(EUR million)	2009	2008	Change
Ambulatory Information Systems	148.3	102.6	45%
Hospital Information Systems	75.3	53.9	40%
Sum	223.6	156.5	43%

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

(EUR million)	First-time consolidated revenue 2009
Profdoc (acquired in 2008)	21.1
All For One (acquired in 2008)	12.4
Noteworthy Medical Systems	7.2
Fimesan/SMI/Microcosmos	2.0
Other	1.7
Sum	44.4

In the HCS segment, revenue was EUR 66.8 million compared to EUR 68.8 million in 2008. This represents a decrease of 3 percent. Revenue in Communication & Data contracted 11 percent, from EUR 36.9 million in 2008 to EUR 32.9 million in 2009. The decline in Communication & Data revenue is due to the effects of regulatory changes in Germany. The business volume in Workflow & Decision Support has remained relatively stable during 2009 with a 3 percent year-on-year growth coming primarily from the first time consolidation of revenue in the acquired company Promed (EUR 1.0 million). The 13 percent growth in Internet Service Provider revenue stems from the migration of customers to a new technical platform in France as well as the general uptake of online connections by CompuGROUP's AIS customers.

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

(EUR million)	2009	2008	Change
Communication & Data	32.9	36.9	-11%
Workflow & Decision Support	23.7	22.9	3%
Internet Service Provider	10.2	9.0	13%
Sum	66.8	68.8	-3%

In the CHS segment, there was no revenue from third parties within vita-X during 2009. This represents no change from 2008. Patient Content revenue was EUR 2.4 million, which is decline of EUR 1.1 million compared to 2008. It has been a difficult market for media productions in 2009 and CompuGROUP has sold all its shares (100 percent) in medi cine Medienproduktions GmbH at 1 January 2010.

Changes in currency exchange rates going from 2008 to 2009 reduced revenue by EUR 5.0 million.

Profit

Consolidated EBITDA amounted to EUR 59.2 million compared to EUR 49.3 million in 2008. This represents an increase of 20 percent. The corresponding operating margin was 20 percent compared to 22 percent in 2008.

- Expenses for goods and services purchased increased by EUR 11.8 million to EUR 61.0 million, which is an increase of 24 percent compared to 2008. The companies acquired in 2009 contributed EUR 2.3 million to the increase. The gross margin is 79 percent which is at the same level as in 2008 (79 percent). The stable gross margin is explained by only small changes to the revenue mix and business model going from 2008 to 2009.
- The increase in personnel expenses by EUR 34.4 million is attributable to the increase in number of employees by 488 between the two balance sheet dates. This is mainly due to the full-year consolidation of Profdoc and All For One and the further acquisitions done in 2009, which contribute EUR 23.8 million to the increase in personnel expenses going from 2008 to 2009.
- Other expenses increased by EUR 6.0 million to EUR 53.1 million. EUR 3.0 million is attributable to the companies acquired in 2009.

Depreciation of tangible fixed assets was EUR 5.5 million in 2009 compared to EUR 4.2 million in 2008. This increase follows from a one-off non-cash write-down of an office building which was vacated during 2009 after a reorganization and rationalization in Germany. Amortization of intangible fixed assets went from EUR 32.3 million in 2008 to EUR 28.9 million in 2009. This decline must be seen in light of the EUR 8.9 million one-off impairment-related write-down of goodwill from the Tepe acquisition in Turkey booked in 2008. Adjusted for this special impairment, the increased amortization is mostly attributable to the amortization of purchase price allocations arising from the company acquisitions as well as increased amortization of capitalized in-house services going from EUR 2.5 million in 2008 to EUR 5.6 million in 2009.

Financial income increased from EUR 2.0 million in 2008 to EUR 2.3 million this year due largely to a larger average cash balance held during the year. The financial expense of EUR 9.0 million during 2009 is composed of the following items:

(EUR million)	
Interest and expenses EUR 100 million debt facility	4.8
Interest and expenses other bank loans	1.0
Interest and expenses on normal bank accounts and currency	1.4
Interest for purchase liabilities	0.2
Fair value evaluation of interest swap contract (non cash)	0.4
Translation loss on non-Euro internal and external debt (non cash)	1.2
Sum	9.0

After tax earnings came in at EUR 11.7 million in 2009, compared to EUR 1.3 million in 2008. The tax rate was 36 percent in 2009 compared to 82 percent in 2008. The different tax rates are mostly due to non-cash changes in deferred tax assets and liabilities.

For the segment distribution of profit two inter-company charges have been introduced between 2008 and 2009. EUR 3.9 million is a charge from HPS to CHS for the further development of vita-X and adaptations of this service for the healthcare provider side. A further EUR 1.1 million is a charge from HSP to HCS for access to ISP services in Germany.

Cash flow

Cash flow from operating activities during 2009 was EUR 44.0 million compared to EUR 25.9 million in 2008. The changes compared to 2008 mainly come from the following positions:

- After tax earnings came in at EUR 11.7 million in 2009, which is an increase of EUR 10.4 million compared to 2008 (EUR 1.3 million).
- Change in provisions of EUR -1.8 million (2008: EUR 1.4 million).
- Change in deferred taxes of EUR -2.0 million (2008: EUR -5.7 million).
- Change in trade receivables of EUR -2.9 million (2008: EUR 4.4 million).
- Change in trade payables of EUR 3.3 million (2008: EUR -2.0 million).
- Change in other current liabilities of EUR -0.8 million (2008: EUR -16.3 million).

The large year-on-year difference in change in other current liabilities mainly results from a special effect in 2008: the companies acquired 1 July 2008 (Profdoc, All for one, Fliegel Dahm Group) had a high volume of deferred revenues at first consolidation that were exhausted until the end of 2008.

Cash flow from investment activities during 2009 amounted to EUR -42.9 million compared to EUR -136.4 million last year. In 2009, CompuGROUP's capital expenditure consisted of the following:

(EUR million)

Initial acquisition of Noteworthy (USA)	4.4
Follow-up investment in Noteworthy (USA)	2.7
Follow-up investment in Profdoc LAB	1.8
Acquisition of Fimesan/Microcosmos/SMI (Italy)	9.5
Acquisition of CSP (Austria)	1.9
Purchase of remaining 20 percent in Gruber ÄDV (Austria) (non-cash)	2.3
Other acquisitions (Inmedea, Avenir, Sakura)	2.4
Capitalized in-house services	6.9
Office buildings and property	3.1
Investments in software for internal use (ERP, CRM etc.)	1.2
Other equipment and tangible fixed assets	6.2
Other investments	0.4
Sum	42.8

The expenditure for office buildings and property relate the purchase of existing office buildings in Koblenz that for many years have been rented and used by the operating units located there. The properties are now owned by CompuGROUP Beteiligungsgesellschaft mbH and are in process to be placed under a long-term financing structure.

Cash flow from financing amounted to EUR 11.9 million in 2009.

Statement of financial position

Since the statement of financial position of 31.12.2008, total assets increased by EUR 34.5 million to EUR 451.8 million. The largest changes to individual asset classes are EUR 15.9 million increase in intangible assets, EUR 13.0 million increase in cash and cash equivalents, EUR 6.7 million increase in property and a reduction in minority investments of EUR -6.3 million. The increase in intangible assets mainly arises from the new company acquisitions done in 2009. The increase in property arises from the purchase of the office buildings in Koblenz as well as office building owned by Fimesan that are now consolidated in the statement of financial position of CompuGROUP. The reduced minority asset relates to the initial minority holding in Fimesan which is now a consolidated Group company. For all other assets there are only minor changes during 2009.

Group equity was EUR 185.8 million as at 31.12.2009, up from EUR 182.8 million as at 31.12.2008. The increase in equity comes primarily from the addition of Group net income for 2009 (EUR 11.7 million) purchases of own shares (EUR -4.5 million), purchase of minority interest shares in Gruber ÄDV after control (EUR -2.3 million), purchase of minority interest shares in Profdoc LAB (EUR -1.8 million) and changes in equity from changes in currency exchange rates (EUR -4.3 million). The equity ratio has gone from 44 percent in 2008 to 41 percent in 2009.

The increase in long-term liabilities is due to the re-financing of the EUR 100 million bridge facility done in May 2009, which shifted debt under current liabilities to long-term liabilities. Other long-term liabilities increase stems from an additional sale-and-lease-back transaction carried out by Systema Austria in 2009. The incurred leasing liabilities with a cash value of EUR 3.1 million is included under other payables. Following this transaction the leased asset was subleased to a customer of Systema Austria under approximately the same conditions. The resulting long-term receivables with a cash value of EUR 3.1 million is included under Other long-term receivables. The increase in long-term liabilities is also due to new company acquisitions in 2009. For all other long-term liabilities there are only minor changes during 2009.

Under current liabilities, the changes from 31.12.2008 are related to the re-financing of short-term debt, an increase in prepayments of software maintenance contracts balanced under Other liabilities as well as the addition of newly acquired companies.

RESEARCH AND DEVELOPMENT

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

- Development of individual components of the existing information systems for physicians and dentists, development activity that occurs both centrally and locally.
- Development of platform products, which are independent products, 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 that clearly separates business logic from the user interface, as well as the development of a new international hospital information system following a structure similar to the development of the new generation of information system for physicians and dentists. 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 Customer Relationship Management (CRM) software specifically for the use of the Group and Enterprise Resource Planning (ERP) software.

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 the currently most up to date software solutions and services. To ensure the quality of the products on offer, our development teams work with the latest tools in compliance with internationally recognized standards.

Future generations of software developed by CompuGROUP will be distinguished by having an individualized front-end solution adapted to the individual CompuGROUP 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. The Company is accordingly organizing a central development department for back-end solutions in the area of Health Provider Services (HPS). In contrast, developing and updating the front-end area will remain the responsibility of the subsidiaries. The Company is already anticipating that, despite maintaining a multi-brand strategy in the HPS segment, it will shortly be able to generate synergy effects during development. The platform products are already being developed in accordance with this principle.

In financial year 2009, CompuGROUP made a big impression in introducing a number of new products on the market.

The product innovations described in brief below are the most significant for 2009:

conhIT 2009: CompuGROUP presents new eHealth solutions

During the conhIT, which took place from 21 to 23 April 2009 in Berlin, CompuGROUP presented their eHealth – Highlights for the electronic networking of all parties involved in the health sector. The core of the trade show was the CompuGROUP Future.net – a cross-sectoral based on valid data and service-oriented data structures, which sets new standards in the electronic networking. The solutions MEDISTAR, ISPro, systema.fk-klinika, MUSE and systema.life.CURE are incorporated into CompuGROUP's Future.net. Thus, for the first time the entire eHealth-LifeCycle is displayed: From the doctor above the hospital and the hospital pharmacy through to the rehab clinic and back again to the doctor. Through the synchronization of data not only costs can be saved and resources can be planned at an early stage – also the basis for a faster recovery of the patient is provided.

Moreover, in addition to the complete solution CompuGROUP Future.net, other trend-setting product innovations were presented. The broad range of services of product lines systema.AKUT, systema.REHA and systema.SOZIAL is perfectly complemented by the innovative solutions from the enterprise network of CompuGROUP. With the products AMOR®, MUSE® and MUSE® medication CompuGROUP focuses on optimizing processes in materials management, pharmacy and medication supply in hospitals.

The drug databases, praxisCENTER® and ifap index® CLINIC always provide current and reliable drug information available. Jesaja.net Via the universal and particular jesaja.net telematics platform products and referrerportal CORDOBA CompuGROUP also allow the electronic exchange of data across medical information about installation and sector boundaries. Thus CompuGROUP provides a tailored product diversity and depth without media from one source, which extends across all sectors.

CompuGROUP: Partner of PharmaBrand Europe Summit 2009

CompuGROUP with its subsidiary INMEDEA supports the pharmaceutical Brand Europe Summit 2009 in Montreux. The aim of the Pharma Brand Summit Europe is to bring together Europe's key players in the pharmaceutical industry with a select group of leading service providers.

INMEDEA with the online learning system INMEDEA Simulator recently earned a second place in the European eLearning Award "eureleA 2009" in the categories of media didactics and overall impression.

Capitalized in-house services

In accordance with the provisions of IAS 38, the development work for capitalized in-house services (approximately 188,000 hours) is capitalized as an asset, which had a EUR 6.9 million effect on the Group result in 2009 (prior year EUR 5.7 million). The vast majority of this development work stemmed from the development work of CompuGROUP Software GmbH, vita-X AG, systema Kliniksoftware GmbH, and CompuGROUP Holding AG, as well as from two major development projects: G3.AIS (new development of ambulatory information system) and G3.HIS (new development of a hospital information system), the latter involving several group companies.

The larger item in terms of development hours (around 740,000 hours) has generated costs in the current year. This mainly involves adapting 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. Currently, 1,086 Group employees work in software development and quality assurance, with 741 in software development alone.

ACQUISITIONS AND MERGERS

Acquisition of Noteworthy Medical Systems Inc., USA

In February, CompuGROUP entered into an agreement with Noteworthy Medical Systems, Inc. for the purchase of 51.6 percent of the shares in the company. Noteworthy is a privately held company founded in 1996 and headquartered in Cleveland, Ohio, that provides a comprehensive set of tools to effectively manage and facilitate care in the ambulatory setting. Noteworthy's focus is to provide sophisticated applications for primary care as well as the technology to connect physicians, hospitals and healthcare communities for improved care and communication. Noteworthy serves a customer base of more than 1,300 practices, 5,000 healthcare providers and 13,000 users across 43 states. The purchase price for 51.6 percent of the shares was EUR 5.9 million.

A rights offering of new shares was offered to all shareholders of Noteworthy Medical Systems Inc. during August and September with closing of the issue in October. CompuGROUP subscribed to all shares offered pro-rata and in addition subscribed to all shares not subscribed by other shareholders. After the issue, CompuGROUP holds 76.2 percent of the shares of Noteworthy for an additional investment of EUR 2.7 million.

Acquisition of Avenir Télématique, France

In February, CompuGROUP acquired all shares of the French company Avenir Télématique, Avenir develops and distributes the software product 123Santé®, a solution for the ambulatory healthcare sector. The company was founded in 1987 with an office in Bourges (200km south of Paris). The number of invoiced customers corresponds to approximately 1000 doctors. The purchase price for 100 percent of the shares was EUR 0.6 million.

Additional share purchase medicine medienproduktionsgesellschaft mbH, Mainz

In April 2009, CompuGROUP Beteiligungsgesellschaft mbH acquired 21.1 percent of the shares in medicine medienproduktionsgesellschaft mbH in Mainz that were outstanding according to the option contract. medicine provides TV and multimedia productions of medical, scientific and non-fictional nature as well as 3D computer animations in the healthcare sector. The purchase price for 21.1 percent of the shares was EUR 1.00.

Additional share purchase Tepe, Turkey

In June 2009, CompuGROUP increased its share in Tepe International by 5 percent up to 100 percent. According to the assignment agreement, trade receivables of Tepe International amounting to TL 350,000 towards the minority shareholder were assigned to CompuGROUP Holding AG. At the same time, CompuGROUP Holding AG took over the outstanding 5 percent of the shares for TL 350,000 (EUR 162,507) according to a separate contract in order to set-off the transferred receivables.

Additional share purchase Promed, Turkey

In July 2009, CompuGROUP Beteiligungsgesellschaft mbH acquired the outstanding 10 percent of the shares in Promed Bilgi Yönetim Sistemleri ve Sağlık Danışmanlık A.Ş. in Turkey according to the option contract. Promed provides electronic solutions to the health insurance industry and other institutions active in the healthcare-reimbursement system. The purchase price for 10 percent of the shares was USD 0.4 Mio.

Additional share purchase Fimesan, Italy

As of 7 July 2009, CompuGROUP acquired 56.8 percent of the shares of the Italian company FimeSan SpA thereby expanding its shareholding to 90.1 percent. FimeSan is the second largest supplier of doctor information systems in the Italy. The details of the transaction are:

- In June 2006 CompuGROUP bought 33.3 percent of the shares in FimeSan S.p.A. for EUR 6.4 million.
- CompuGROUP bought an additional 56.8 percent of the shares in FimeSan S.p.A at 7 July 2009 for EUR 7.4 million for a total holding of 90.1 percent.
- 2008 revenue of FimeSan S.p.A was EUR 5.6 million with an EBITDA of EUR 2.2 million.
- Book equity of FimeSan S.p.A as at 31.12.2008 was EUR 5.8 million, of which intangible assets are EUR 0.9 million.
- FimeSan S.p.A has approximately 7,400 doctors and 100 dentists as at 31.12.2008 as clients with a software maintenance contract.
- Market share in Italy is approximately 10 percent for General Practitioners and 50 percent for pediatricians.
- Consolidation starts from 1 July 2009.
- The acquisition was financed with cash at hand and with existing credit facilities.
- The remaining 9.9 percent of FimeSan S.p.A. are part of option rights of the parties for a fixed price of EUR 2 million.

Additional share purchase Profdoc LAB AB, Sweden

In September 2009, Profdoc AB in Sweden acquired additional 24.5 percent of the shares in the Swedish company Profdoc LAB AB. Hence, Profdoc AB increased its share up to 75.5 percent. Profdoc LAB is a leading supplier of laboratory information systems in Scandinavia. The purchase price for 24.5 percent of the shares was SEK 18.4 million. Furthermore Profdoc AB holds a Call-Option for the purchase of the currently outstanding shares. In 2013 the minority shareholders of Profdoc LAB AB have a Put-Option at a minimum of SEK 22.1 million.

Additional share purchase ERUDIS s.r.o., Slovakia

In September 2009, CompuGROUP CZ & SK s.r.o. in the Czech Republic acquired additional 70.0 percent of the shares in the Slovakian company ERUDIS s.r.o. according to an option contract. The company that was renamed CompuGROUP Medical Česká republika s.r.o. in this context, increased its share in ERUDIS s.r.o. up to 80.0 percent. ERUDIS s.r.o. is specialized in developing and distributing medical practice software solutions.

Additional share purchase Inmedea GmbH, Tübingen

In November 2009, CompuGROUP Holding AG acquired additional 24 percent of the shares in Inmedea GmbH for a purchase price of EUR 24,000. CompuGROUP Holding AG now holds 99 percent of Inmedea GmbH, a software provider for the education of medical doctors and other healthcare personal with a special focus on the simulation of clinical processes with virtual patients.

Acquisitions of SMI and Microcosmos, Italy

On 29 October 2009, CompuGROUP acquired the two Italian companies SMI and Microcosmos as part of the strategy to expand the presence in the Italian HPS market. Through these transactions, the market share in Italy will be significantly increased and in addition to the strong market position in Southern Italy, CompuGROUP now also has a significant share of the market in Northern Italy. The details of the transactions are:

- CompuGROUP has bought 100 percent of the shares in SMI S.r.l. for EUR 1.7 million and Microcosmos Multimedia S.r.l. for EUR 2.2 million.
- The companies have approximately 2,800 doctors as clients with a software maintenance contract.
- Total software maintenance is currently approx. EUR 900,000 per year.
- Consolidation starts from 1 November 2009.
- The acquisition was financed with cash at hand and with existing credit facilities.

Merger of CCHC and systema HIS, Austria

In 2009 the company Competence Center Health Care GmbH was fully merged into systema Human Information Systems Gesellschaft mbH effective 01 January 2009.

Gruber ÄDV, CSPmed and medXpert merged to CompuGROUP Österreich GmbH

To improve overall efficiency and brand equity, the three current companies and brands for doctor information systems in Austria, Gruber ÄDV, CSPmed und medXpert have been merged into one company on 1 July 2009 with retrospective effect from 01 January 2009 under the common brand name of CompuGROUP. More than 2,600 Austrian doctors are now consolidated under one vendor organization that will focus and strengthen the knowledge base to the benefit of all clients, as well as enable a more effective product and service delivery over time. As part of the merger, CompuGROUP acquired the outstanding 40 percent minority shares in Gruber ÄDV with a deferred consideration in 2013.

CompuMED and DATA VITAL merged to CompuGROUP Medical Arztsysteme GmbH

To improve overall efficiency and brand equity, CompuMED Praxiscomputer GmbH & Co KG and DATA VITAL GmbH & Co KG have been merged to form CompuGROUP Medical Arztsysteme on 1 July 2009 with retrospective effect from 1 January 2009. With a combined total of over 10,500 users, the two subsidiaries of CompuGROUP Holding AG are among the leading producers of ambulatory information systems in Germany.

CompuDENT, ChreMaSoft und Z1 Software merged to CompuGROUP Medical Dentalsysteme GmbH

With the objective of combining core competencies, CompuDENT Praxiscomputer GmbH & Co KG und die ChreMaSoft Datensysteme GmbH & Co KG have been merged into Z1 Software GmbH on 1 July 2009 with retrospective effect from 1 January 2009. The company was subsequently renamed CompuGROUP Medical Dentalsysteme. The subsidiaries of CompuGROUP Holding AG are among the leading providers of ambulatory information systems in Germany.

Merger of CompuGROUP Services GmbH and GTI AG

On 1 July 2009, CompuGROUP Services GmbH was merged into GTI AG with retrospective effect from 1 January 2009 and renamed CompuGROUP Services GmbH afterwards.

Merger of Czech subsidiaries

On 1 July 2009, DIALOG MIS spol. s r.o., Medisoft International, spol. s r.o., SMS spol. s r.o. and SAKURA Software, spol. s r.o. (which was acquired for EUR 0.6 million from DIALOG MIS spol. s r.o. in March 2009) were merged with retrospective effect from 1 January 2009 into CompuGROUP CZ & SK spol. s r.o. and subsequently renamed in CompuGROUP Medical Česká republika s.r.o.

Merger of Ascott into Profdoc A/S, Denmark

In 2009, Ascott Software Danmark A/S was merged with retrospective effect from 1 January 2009 into Profdoc A/S. The company is one of the leading producers of doctor information systems in Denmark.

Additional share purchase and accretion IMMO GbR and IMMO II GbR

In April 2009, Dr. Daniel Gotthardt sold his 6 percent shares in IMMO GbR, Koblenz, to CompuGROUP Beteiligungsgesellschaft mbH, which now holds 100 percent in the company. As a consequence of this transaction, IMMO GbR is merged into CompuGROUP Beteiligungsgesellschaft mbH.

At the same time, Dagui Beteiligung GbR sold its 6 percent shares in IMMO II GbR, Koblenz, to CompuGROUP Beteiligungsgesellschaft mbH, which now holds 100 percent in the company. As a consequence of this transaction, IMMO II GbR is also merged into CompuGROUP Beteiligungsgesellschaft mbH.

Disposal of distribution companies in France

In the fiscal year 2009, CompuGROUP disposed of its French distribution companies Technosanté Lyon, Axiservice Grenoble and Technosanté Paris. Furthermore, the shares in Axiservice Nice were reduced from 100 percent to 28 percent.

Disposal of Profdoc Joliv, Sweden

In March 2009, Profdoc AB disposed of the 90 percent of its shares in Profdoc Joliv AB for SEK 0.9 million. At the same time, Profdoc Joliv AB repaid its loan to Profdoc AB, as contractually agreed. Furthermore, the buyer took over the outstanding capital contribution of SEK 1.1 million less an extraordinary short-term cash loan and an open account for provided consulting services on the part of Profdoc Joliv amounting to SEK 150,000.

Disposal of HC Advance, Sweden

In November 2009, Profdoc AS sold the 90 percent of its shares in HC Advance AB in Sweden for SEK 2.0 million. A separate asset deal stipulates the disposal of its business segment "Profdoc Online Business" to Profdoc AS.

ORDER SITUATION

Malaysian subsidiary installing Hospital Information System in public hospital

The Malaysian subsidiary of CompuGROUP Holding AG begun the implementation of a hospital information system at the Bintulu Hospital located in the state of Sarawak on the Borneo island. Within the scope of the 9th Malaysian 5-year-plan, several district and regional hospitals will be outfitted with digital information systems. After the evaluation process being completed at the beginning of 2009 CompuGROUP's local subsidiary in Malaysia, Profdoc Sdn Bhd, was given the go-ahead to start implementation at Bintulu through a local government contractor. Bintulu is a 284-bed hospital owned and operated by the Ministry of Health of the Malaysian Federal Government.

Techniker Krankenkasse uses CompuGROUP technology to protect against chip-card abuse

CompuGROUP developed and launched a new system called 'Cardtrust' to prevent insurance card abuse during 2009. The health fund Techniker Krankenkasse is now using the new Cardtrust to further protect against abuse and enhance efficiency. The Techniker Krankenkasse has been using the Verax List, the predecessor of the present Cardtrust service, since 2004. Among other features, the well-known system developed by CompuGROUP identifies and blocks expired or cancelled health insurance identification cards.

Extension of HIS contract in Austria

Through a contract extension awarded in March 2009, the CompuGROUP subsidiary systema will continue to handle information technology for 57 Lower Austria nursing homes and state schools for adolescents. The contract runs for five years and has a total volume of approximately EUR 12.5 million.

Turkish subsidiary PROMED receives major order

In July, CompuGROUP's subsidiary PROMED emerged as the successful bidder in an invitation to tender issued by the major insurance group AXA. The order is worth a total of EUR 1.2 million over three years and will enable PROMED to continue the expansion of its cooperation with AXA.

DEVELOPMENTS WITHIN THE BUSINESS SEGMENTS

Changing landscape for HCS Communication & Data business in Germany

The AVWG regulations introduced in Germany in 2008 have led to significant changes in CompuGROUP's HCS Communication & Data business during 2009. Whereas the business volume with generic firms has been reduced, this has been partly compensated by increased revenues from original manufacturers. Total sales to pharmaceutical producers (all countries) amounted to EUR 32 million in 2009, representing a decline of 5-10 percent compared to the revenues realized in 2008.

Another significant change is that rebate contracts between German public health insurance funds and generic firms have become widespread during 2009. Under these contracts, the health insurance funds procure bulk supplies with generic firms that are willing to provide their drugs at a rebate. These drugs are then automatically substituted at pharmacy level in cases where patients are prescribed a drug for which there is a discounted version available. Rebate contracts have had limited impact on the generics industry and CompuGROUP in 2009. However, this appears to have a more pronounced influence from the beginning in 2010. The net effect from rebate contracts and other changes in HCS Communication & Data now leads CompuGROUP to expect Communication & Data revenue to decline 10-20 percent in 2010 relative to 2009.

Status of broader adoption of decision support products in Germany

In the financial report for the second quarter 2009, dated 13 August 2009, CompuGROUP described the intervention by the German Federal (Social) Insurance Office (BVA – Bundesversicherungsamt) regarding medical decision support products that had been offered by CompuGROUP to German public health insurance funds. The subsequent discussions between CompuGROUP and the BVA have not changed the BVA's position. Even though the BVA recognizes that CompuGROUP's software may help to increase the quality in ambulant care and that software-based patient coding and diagnosis tools make sense and are allowed for correct documentation and invoicing, the BVA has reaffirmed that health insurance funds are not allowed to invest or pay for software to be used by doctors as this is considered outside the funds' regulated scope of operations.

Despite the limitations imposed by the BVA CompuGROUP continues to develop its business relations with the health insurance funds in other areas. In addition, CompuGROUP is in constructive discussions with private insurance companies that are not regulated by the BVA. In total, a positive trend within Workflow & Decision Support is expected in 2010.

Pilot project "AOK aktiv+vital"

Since 2007, CompuGROUP has worked together with AOK Hessen, a health insurance fund in the Hessen region, to design and test a system for the complete electronic mapping of a contract for integrated care. With "aktiv+vital", doctors in Germany can for the first time access from a single source all relevant medical content and electronic tools to assist them in the day-to-day work in prevention and treatment of diabetes. More than 5,000 patients are now treated and monitored in the "aktiv+vital" disease management program supported by CompuGROUP's medical decision support software products and supervised by a board of independent medical expert teams. Data analysis done in association with subsidiaries of the universities of Dresden and Cologne prove the success by an improved quality of life for the patient combined with significantly savings in care costs. AOK Hessen and CompuGROUP published a first summary of those remarkable results in November at Germany's famous medical exhibition MEDICA in Düsseldorf.

United States HITECH program carries potential for CompuGROUP

The American Recovery and Reinvestment Act of 2009 (ARRA) was signed into law by President Obama on 17 February 2009. ARRA includes more than USD 20 billion for healthcare information technology under the Health Information Technology for Economic and Clinical Health (HITECH) Act. Under the HITECH stimulus package, up to USD 44,000 (Medicare) or USD 65,000 (Medicaid) in extra incentive payments over a five-year period will be available to physicians who demonstrate "meaningful use" of a certified EHR.

CompuGROUP (through Noteworthy Medical Systems) is currently an IT supplier to approximately 5,000 doctors in the United States, out of a total number of office-based doctors of approximately 625,000. Since the acquisition of 52 percent of the shares in Noteworthy in February this year, a restructuring of the business has been undertaken such that Noteworthy can be profitable in its own right, independent from the potential impact from the HITECH stimulus. In the coming period, CompuGROUP will begin to increase the number of employees in a targeted effort to prepare for the expected business volume coming from HITECH. Based on experience and feedback from doctors so far, CompuGROUP expects a limited change in physicians' purchasing behavior during the first six months of 2010. A significant increase in business volume and increased growth rates is expected at the earliest during the second half of 2010. As a result from this, the margins will continue to be suppressed in the United States until the new resources can be shifted over to work related to material deliveries.

CompuGROUP sees more opportunity than ever in the United States healthcare IT market and it is now appropriate to expend the necessary resources to secure the market opportunities. This strategy is more expensive in the short-term, but management is convinced that the choices now made create the largest shareholder value.

US market opportunities in patient record business

In September, Arizona's Purchasing & Assistance Collaborative for Electronic Health Records, commonly referred to as PACeHR (pronounced "pacer"), has selected Noteworthy as one of only two preferred electronic health record (EHR) vendors for providers within the state of Arizona.

The unique PACeHR program was launched in response to the critical need of small and medium-sized medical practices to accelerate EHR adoption; improve healthcare quality, safety and efficiency; and promote a community of information sharing. PACeHR aims to leverage economies of scale, strategic partnering and the power of web-based technologies to ensure that every clinician in Arizona will have access to an affordable, interoperable, CCHIT Certified®, web-based electronic health record solution and services. Representing medical practices, clinics, facilities and other stakeholders, PACeHR's goal is to deliver software and services to three quarters of the Arizona primary care market – nearly 7,000 physicians in more than 2,000 practices – over the next three years.

The six-month-long evaluation process involved a selection panel comprising 16 clinicians, along with legal and information technology experts, who assessed 14 vendors against a myriad of high-level criteria. Although PACeHR pre-dated the ARRA, one of its key priorities now is the selection of systems that will enable clinicians to qualify for financial incentives in accordance with the HITECH Act.

vita-X patient portal and vita-X home for improved health management

Several initiatives have been launched to broaden the adoption of vita-X and vita-X technology during 2009. CompuGROUP launched a new patient portal and the 'vita-x home' web-based health record. Via the patient module 'vita-X home', patients have the possibility to play an active part in managing their health. The web-based health record with always up to date health information is a powerful tool to increase the awareness of relevant health issues for each individual and to improve personal health management. Especially in long-term treatment of chronic diseases, such as diabetes, the patients' active participation as well as the connection to relevant doctors plays a decisive role.

POST BALANCE SHEET EVENTS

Acquisition of Innomed shares

With the fulfilment of the agreed conditions precedent in the purchase contract concluded on 17 November 2009, CompuGROUP CEE GmbH will acquire 70.3 percent of the shares in Innomed Gesellschaft für medizinische Softwareanwendungen GmbH, Wiener Neudorf for EUR 9.3 million. Innomed has 2,500 doctors among its users in Austria and achieved sales of EUR 4.6 million in 2009, EUR 3.1 million of which were due for long-term software maintenance and annual licence income. CompuGROUP expects to be able to carry out the first consolidation of Innomed in April 2010.

The outstanding 29.7 percent of the shares continued to be held by the previous owners. However, CompuGROUP CEE has secured the option to acquire all the shares after 1 January 2013 at conditions that have already been set. The equity of this company was EUR 0.3 million on 1 January 2010.

Disposal of medicine

On 1 January 2010 CompuGROUP Beteiligungsgesellschaft mbH parted from its 100 percent holding in medi cine medienproduktions GmbH, Mainz (CHS segment). The main focus of the company is offering film and TV productions including distribution of medicine journalism services in the TV sector. The sales price was EUR 1. In addition, it was agreed that the purchaser and medi cine, as joint and several debtors, are obliged to pay a total amount of EUR 0.3 million from profits for the 2010 financial year up to the 2015 financial year inclusive as participation in profits.

TEPE arbitration proceedings

On 9 February 2010 the international arbitration tribunal formally confirmed the legitimacy of the proceedings. The amount in dispute (the Group is suing TEPE TEK, Meteksan and Bilkent – current proceedings) is about EUR 17 million. A decision is expected in March 2011.

CORPORATE GOVERNANCE REPORT

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

DECLARATION OF CONFORMITY

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

Since the last declaration of conformity dated March 2009, CompuGROUP Holding AG has conformed with the recommendations of the GCGC as amended on 6 June 2008, subject to the deviations mentioned in the aforesaid declaration.

In the future, CompuGROUP Holding AG will conform to the recommendations of the GCGC as amended on 18 June 2009, with the following exceptions:

According to Section 5.1.2 of the GCGC, an age limit for members of the Management Board shall be specified. CompuGROUP does not comply with this recommendation and has no age limit for its Management Board members. The company does not see age as a relevant criterion to evaluate the performance and ability of its corporate officers.

According to 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 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.

According to Section 5.4.1 of the GCGC, an age limit for members of the Supervisory Board shall be specified. CompuGROUP does not comply with this recommendation and has no age limit for its Supervisory Board members. The company does not see age as a relevant criterion to evaluate the performance and ability of its Supervisory Board members.

According to Section 5.4.6 of the GCGC, Members of the Supervisory Board shall receive fixed as well as performance-related compensation. Performance-related compensation should also contain components based on the long-term performance of the enterprise. CompuGROUP does not comply with this recommendation and has only a fixed compensation of the members of the Supervisory Board. All Supervisory Board members are expected, regardless of their compensation, to perform their tasks with the highest level of engagement with focus on the company's long-term success.

According to Section 7.1.2 of the GCGC, the company shall publish the annual group financial report within 90 days after the closing period. According to the financial calendar for 2010, the company intends to publish the group financial report on 15 April 2010. The company considers this a sufficient time frame.

Furthermore, section 7.1.2 of the GCGC recommends the publication of quarterly reports within 45 days after closing of the reporting period. CompuGROUP does not comply with this recommendation regarding the publication of the Q3-report. As in recent years, the company intends to publish its Q3-report in the course of Medica in Düsseldorf, one of the world's largest medical fairs, on 17 November 2010.

Significant Corporate Governance practices beyond the legal requirement

CompuGROUP 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'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'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's behalf. We also expect our suppliers and partners to have ethical guidelines in their own enterprises, which are consistent with CompuGROUP's ethical values. The documents describing the CompuGROUP guidelines are permanently available from our website at www.compugroup.com.

Approach adopted by the management and supervisory boards

CompuGROUP Holding AG is a company under German law, which also represents the basis of the GCGC. One of the fundamental principles of German stock corporation law is the dual management system involving two bodies, the Management Board and the Supervisory Board, each of which is vested with independent competences. CompuGROUP Holding AG'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 operates. Two members of the Management Board are assigned to the regional line organization as Executive Vice Presidents and overall responsible for the regions of Central Europe and Southern Europe respectively. The remaining two Management Board members are assigned to the functional organization as Chief Financial Officer (CFO) and Chief Medical Officer (CMO). 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 compose the Strategic Management Group, which meets about 10 times per year to harmonize operations and ensure knowledge sharing across geographies and functions.

CompuGROUP 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 6 to 8 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 November/December 2009. The efficiency of the Supervisory Board's work, including its cooperation with the Management Board, was determined on the basis of a list of questions and a subsequent discussion at a Supervisory Board meeting.

The Supervisory Board has established one committee from among its members: The Audit Committee consists of the Chairman of the Supervisory Board, one shareholder representative, and one employee representative. The Supervisory Board has appointed its Chairman, Dr. Klaus Steffens, as the independent Audit Committee financial expert. The Audit Committee monitors the Company's financial reporting process, discusses and examines annual consolidated financial statements and management reports prepared by the Management Board, as well as the quarterly financial reports. Based on the independent auditors' report, the Audit Committee gives recommendations with respect to the approval of the annual financial statements and the consolidated financial statements by the Supervisory Board. Furthermore, the Audit Committee engages the independent auditors elected at the General Shareholders' Meeting to audit the annual financial statements and the consolidated financial statements, determines the key audit areas, and is responsible for determining the independent auditors' compensation.

The Management and Supervisory Board members are obliged to act in CompuGROUP Holding AG's best interests. In the completed financial year, there were no conflicts of interest requiring immediate disclosure to the Supervisory Board. None of the Executive Board members of CompuGROUP Holding AG sat on more than three Supervisory Boards of listed non-Group companies.

Compensation of the Executive Board and Supervisory Board

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

Risk management

Good corporate governance entails the responsible handling of company risks. The Management Board of CompuGROUP 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 risk management systems are reviewed by the auditors.

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'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 Holding AG prepares its consolidated financial statements in accordance with the provisions of the International Financial Reporting Standards (IFRS) as applicable in the European Union. The annual financial statements of CompuGROUP Holding AG are prepared in accordance with the German Commercial Code (HGB). The consolidated financial statements are prepared by the Management and audited by the auditors and the Supervisory Board. The interim reports are discussed between the Audit Committee and the Management Board prior to publication.

The consolidated financial statements and the financial statements of CompuGROUP Holding AG were audited by PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Frankfurt, the auditors elected by the 2009 Annual General Meeting. The audit was based on German auditing rules, taking account of the generally accepted auditing standards issued by the German Auditors' Institute as well as the International Standards on Auditing. It also covered risk management and compliance with reporting requirements concerning corporate governance pursuant to section 161 of the German Stock Corporation Act.

In addition, a contractual agreement was concluded with the auditors to the effect that the auditors will immediately inform the Supervisory Board of any grounds for disqualification or partiality as well as of all findings and events of importance arising during the performance of the audit. There was no ground to provide such information in the framework of the audit of the financial year 2009.

Stockholders and Annual General Meeting

The shareholders of CompuGROUP exercise their rights in general meetings. The annual general meeting takes place during the first six months of the business year. The Chairman of the Supervisory Board is the chair of the general meeting. The general meeting performs all duties assigned by the law.

Our aim is to make the participation in general meetings as easy for the stockholders as possible. Thus, all reports and documents necessary to the participation, including the Annual Report, are published in an easily accessible way on the company's Internet site together with the agenda. The Management Board arranges for the appointment of a representative to exercise shareholders' voting rights in accordance with instructions.

Transparency

A standardized, comprehensive and prompt information flow is highly valued in CompuGROUP Holding AG. CompuGROUP'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.compugroup.com under the section Investor Relations.

CompuGROUP Holding AG has prepared the required directory of persons with insider information (insider list). The affected persons are informed about the legal obligations and penalties.

BUSINESS ACTIVITIES

CompuGROUP develops and sells efficient and quality-enhancing software solutions and services for participants in healthcare systems around the world and is one of the leading providers in the market for software solutions in the healthcare sector. CompuGROUP is represented internationally by subsidiaries and equity interests in Austria, France, Poland, Spain, Italy, Norway, Sweden, Denmark, South Africa, Malaysia, Greece, Luxembourg, Switzerland, Bulgaria, Latvia, Turkey, Czech Republic, Slovakia, USA, Canada and Saudi Arabia.

CompuGROUP earns top ranking in the Lünendonk List

CompuGROUP placed sixth in the newly introduced Lünendonk List of the "Top 25 Standard Software Suppliers in Germany" – testimony to the strength of the firm, which earned an outstanding second-place ranking in the list of small-and mid-sized businesses in 2008.

Segments

Integrated Health Provider Services (HPS)

The HPS segment includes the development, sales and service of specialised software and communications solutions for health service providers. About 220,000 physicians and dentists in their own practices and in hospitals use information systems supplied by CompuGROUP.

Health Connectivity Services (HCS)

In the HCS segment, our products and services enable the sector-wide networking of all those involved in healthcare. With its unique coverage in Europe amongst doctors, the focal point of the health system, CompuGROUP is a reliable and capable partner for all those involved.

Consumer Health Service (CHS)

The main product of the CHS segment is vita-X, the personal health record for all citizens. vita-X stands for the continual improvement of the efficiency and quality of medical care by providing the necessary information. Health systems profit from being able to access medical information anytime, anywhere.

Opportunities for future development resulting from competitive strengths

Leading market position for ambulatory information systems (AIS)

CompuGROUP 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.

The AIS business is predominantly marked by long-term service and software maintenance agreements and is therefore distinguished by stable, continually recurring revenues. These regular revenues form a stable basis for financing investments or developing new products.

The Company sees a stable core business in the ambulatory information system area, with its mostly long-term customer contacts, both as a strong market entry barrier and a key prerequisite for expanding the business activities to other areas and for the success of the offers in all segments.

Good positioning in the connectivity market

To reduce costs and ensure better quality of treatment, it is a stated policy objective in many European countries to improve the networking of participants in the healthcare sector. Due to the significant expansion of its Ambulatory information systems, CompuGROUP sees itself in a good position to interconnect physicians providing treatment, hospitals, cost bearers and industry, and is using its competitive advantage as regards the expansion of the connectivity market, which is still in the course of being built up.

The Company therefore holds a strong position for the future healthcare network in Germany and Europe, and is proceeding on the basis that it can benefit significantly from the expected growth in this area.

Good basis in hospital information system-sector

As a result of company takeovers in the area of hospital information systems for acute and rehab care facilities, particularly in Germany, the Czech Republic, Slovakia, Poland, Austria and Turkey, the hospital segment has expanded significantly in recent years. Due to the new systems and additional expertise gained as a result of these acquisitions, along with additional customers, CompuGROUP sees itself well-positioned for further growth in this segment.

Internationally applicable business model

Health systems in western industrialized countries, with the change in the age distribution to a larger number of elderly people, with medical advances and with the resulting steady increase in costs of treatment, are faced with essentially comparable challenges. As a matter of principle, there is accordingly a need in all these countries for efficiency-enhancing and cost-cutting IT solutions, such as the ones offered by CompuGROUP. For this reason, the Company considers that its business model, focused on products that improve the quality of treatment and simultaneously increase efficiency, will also carry over to the major foreign target markets.

Successful integration of acquired companies

Acquisition of leading HPS companies is a core element of CompuGROUP's strategy. In 2007 and 2008, CompuGROUP took decisive steps to expand its European presence through the acquisitions of Systema in Austria and Profdoc in Scandinavia. The combination of talented local management and the systematic application of CompuGROUP's best practices have substantially increased the profitability of these businesses while growth rates have been upheld. Based on the solid foundation laid down during 2009, both profitability and growth is expected to sharply increase in 2010 for these businesses. With a proven track record of integrating and increasing the value of HPS companies, CompuGROUP continues to look for similar acquisitions in all relevant markets.

Leadership in technology and innovation

Due to the highly developed technical features, practicality and user-friendly nature of its products, as well as to its innovative power, backed by an extensive R&D budget, the Company regards itself as a leader in its sector's technology and innovation. The Group considers itself to be very well positioned, primarily with regard to high-quality products where the competitive difference is less about the price than about the user-friendly nature and reliability of the products, along with technical innovation and services.

Because of its understanding of customer needs, an understanding acquired over many years of collaboration, technologically ambitious products have been introduced in recent years in all three business units.

Corporate strategy

The strategic aim of CompuGROUP is to continue to expand its position as the leading international provider of IT solutions for the healthcare system and as one of the leading eHealth companies in Europe. The key elements of its corporate strategy can be summarized as follows:

- Expansion of the leading market position with office-based doctors and dentists.
- Implementation of a platform strategy for the development of Doctor Information Systems.
- Expansion of the hospital business.
- Expansion of activities aimed at networking healthcare stakeholders.
- Further global expansion.
- Further expansion of leadership in technology and innovation.

Principles of the corporate management

The management board controls the business areas by implementing strategic and operational standards and using various key financial indicators. An important variable is organic growth as part of our growth strategy. Earnings before interest and taxes (EBIT) constitute an effective parameter for measuring the earning capacity of the business units.

Earnings before interest, taxes, depreciation and amortization (EBITDA) are also seen as a good indicator of the business unit's ability to generate positive cash flows and meet their financial obligations. Another indicator used for control purposes to optimize the operating cash flow is collection period.

Especially in light of our active investment activity regarding acquisitions of new enterprises, leverage represents an important statistic at the corporate level to optimize the cost of capital in the Group. Accordingly, capital procurement is understood to be a primary corporate responsibility that is not subject to the direct influence of the business units. Thus, interest paid for financing is not included in the agreed target variables of the individual business units. A similar procedure is followed for taxes.

Our access to approximately 331,000 customers results in additional significant corporate control factors for the Group arising from our sales and marketing departments. The most important statistics in this area concern customer acquisition, customer profit potential and customer satisfaction.

Procurement

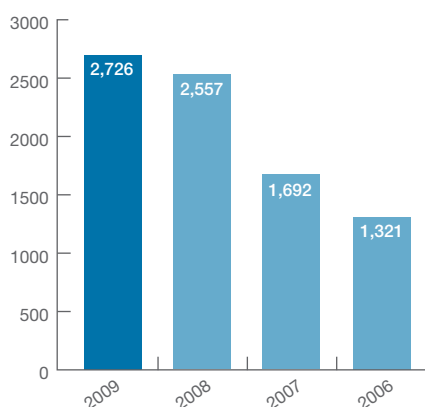
Procurement focuses on the purchase of software components and services. For intercompany purposes, the necessary investments primarily pertain to equipping the employees with EDP systems as well as the expansion or replacement of network components and telecommunication systems. The significant suppliers and service provider partners are subject to regular monitoring within the scope of the quality management system.

Employees

At year-end 2009, CompuGROUP employed 2,726 persons worldwide. Compared to the previous year, this reflected an increase of 169 employees or 6.6 percent. With regard to the development in the number of employees for the period 2006 to 2009, the average increase was approximately 27 percent per year.

In Germany alone CompuGROUP has employed 1,296 employees in the financial year 2009, what represents related to the total number of employees worldwide a percentage rate of 47.5 percent.

Number of employees 2006-2009

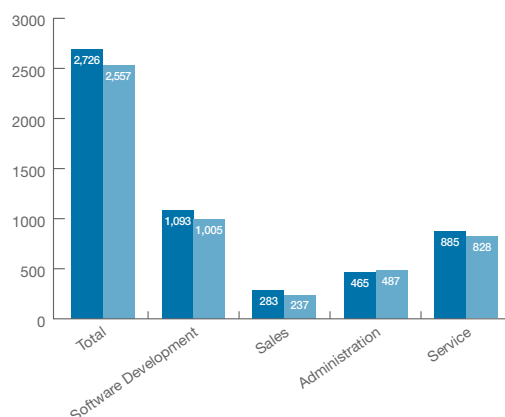


From a Group perspective, a significant part of human resources management involved integrating newly hired employees in the group of companies. The workforce grew by 169 employees, primarily as a result of acquisitions.

In the Group, the employees are broken down into the four areas of software development (therein included are the employees for software integration services), sales, administration and service.

The graph below shows the number of employees per area at the end of the reporting year and the changes compared to the year before.

Employee statistics by section (31 December 2009 and 2008)



Non-financial performance indicators

Personnel recruiting and development

Due to continuously rising qualifications for specialists and executives, the recruitment of new qualified employees is an important responsibility of human resources management.

To counteract the general shortage of highly qualified specialists and executives, CompuGROUP has implemented various processes to be able to act effectively. For one thing, CompuGROUP has set up its own internal Business Academy to prepare qualified employees already within the Group for a career in middle and upper management. By its nature and with respect to quality, the Business Academy of CompuGROUP is a unique internal continuing education facility in the area served by the Koblenz Chamber of Industry and Commerce. For two years, divided into four semesters, the participants receive training and further education in key management qualifications. During the financial year 2009 a new training program started where 15 employees will be trained for the upper management area.

Regular performance evaluation of the employees also takes place in the Group in order to evaluate whether training programs are needed and in what scope. The human resources department coordinates and supports employees in the selection and performance of their individually-coordinated training programs. The effectiveness of the training programs is also analyzed and measures taken to increase quality.

Employee satisfaction indicators and social institutions

At 3.45 percent, the group rate of employee absenteeism due to illness is at a low level. At 3.09 percent, the rate of employee absenteeism in Germany due to illness lies below the average rate of employee absenteeism due to illness of 3.32 percent for Germany (period: January to October 2009) calculated by the Federal ministry of health. The following method is used to calculate this performance indicator: conversion of the part-time employees to full-time employees and deduction of weekends, holidays and vacation. Moreover in cooperation with the company doctor, CompuGROUP regularly offers its employees the opportunity of having flu shots and eye examinations.

The low employee turnover in CompuGROUP is a clear indication of the Company's attractiveness, especially in light of the increasing competition for specialists and executives. Due to this low turnover rate, the Group has an experienced management team frequently ranging into the second and third management level and able to look back on many years of employment with the Company.

In 2009, the company, together with the city of Koblenz and the Evangelical Church of Koblenz-Lützel, opened a daycare center at CompuGROUP's headquarters in Maria Trost. The facility accommodates up to 32 children. Family-friendliness of a company is becoming increasingly important for young families. The daycare center with its broad and bright rooms offers all requirements that children need in their early childhood education and care. Since 4 September 2009 ten baby children and up to 22 kindergarten children can be cared by six experienced educators. For their physical well-being has taken although care: CompuGROUP's staff cafeteria provides not only the parents but also the nursery and kindergarten children with healthy freshly prepared food on a daily basis.

Customer satisfaction

Another significant success factor for CompuGROUP corporate group is the satisfaction of its customers. Currently, the Group has approximately 331,000 physicians, dentists and other healthcare service providers as its customers. The access to so many representatives of the health sector in the European healthcare market is unique. To maintain our customers' confidence in us in the future, we review Group-wide customer-related key figures and indicators that contain information concerning the acceptance and popularity of individual products, customer loyalty and satisfaction with services and the standards of quality provided. Internal surveys show that the customer churn rate was 5 percent, reflecting an average customer retention time of about 20 years.

COMPENSATION REPORT

The compensation report of CompuGROUP 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. Criteria for the reasonableness of the compensation are in particular the responsibilities of the particular management board member, his or her personal performance, and the economic situation of the enterprise. In addition, the success and future prospects of the enterprise in the appropriate field of comparison are important criteria in determining the compensation.

The components of the results-independent compensation are a fixed salary and fringe benefits, while the results-dependent compensation components consist of management bonus payments. The fixed salary, a base compensation independent of performance, is paid out monthly as salary. In addition, the members of the management board receive fringe benefits in the form of in-kind compensations, which consist essentially of 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. Loans or advances were not made to members of the management board during the reporting year. The amount of the results-dependent compensation component depends on individually agreed goals.

Benefits that would have to be paid upon termination of a management board member's employment were not promised to the members of the management board. 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.

In addition to the fixed salary, the variable compensation components (management bonus) and the fringe benefits (consisting of the non-cash benefit of the use of a car), the following compensation agreements were entered into contractually with Prof. Dr Stefan F. Winter and Christian B. Teig:

A value appreciation bonus based on the share price performance was agreed with Prof. Dr Stefan F. Winter, which is paid in cash. The agreement took effect on 15 October 2008 and expires automatically without need for termination on 15 October 2011. Calculation of the share price change used for the bonus is determined using two contractually fixed calculation formulas for the corresponding time periods. The underlying minimum price for the starting stock exchange value calculation is EUR 11 per share. The target value for appreciation is a weighted share price in 2011. The possible bonus is derived as a cash value from 0.05 percent of the net of the two determined values, whereby a 15 percent minimum calendar year appreciation from the starting stock exchange value per year, in relation to each previous year, is used as a basis. No provision has been set aside for the value appreciation bonus as at 31 December 2009.

Christian B. Teig holds an option to purchase CompuGROUP shares amounting to 375,000 shares, the duration of which is linked to his term of office as director (94,000 accrue after 12 months, 188,000 accrue after 24 months, 282,000 accrue after 36 months and 375,000 after 48 months). As at the balance sheet date the personnel expense in the income statement for this plan was EUR 61,000, of which EUR 43,000 was posted to equity after deduction of EUR 18,000 for deferred tax which was posted to tax expense. Calculation of the fair value was based on the Black-Scholes model and the following criteria. Christian B. Teig can exercise the option within two months following the 48th month of his term of office as director. Should Mr. Teig resign voluntarily from the Company prior to the end of the vesting period, he may only exercise the options that have accrued to that date. If, following the first six months and prior to the end of the vesting period, Mr. Teig's office as director be terminated for reasons not related to him breaching his duties, he may exercise all the 375,000 options within two months after his leaving date. The option exercise price amounts to EUR 5.50. The fair value as of the option grant date amounted to EUR 1.25 per option.

Compensation of the management board 2009

	Fixed salary EUR	Management bonus obtained EUR	Fringe benefits EUR	Total compensation EUR
Gotthardt, Frank	600,000	885,000	0	1,485,000
Broer, Jan	150,000	100,000	21,428	271,428
Eibich, Uwe	125,000	275,000	10,054	410,054
Teig, Christian B.	200,000	200,000	0	400,000
Prof. Dr. Winter, Stefan	250,000	100,000	13,538	363,538

Comparison: Compensation of the management board 2008

	Fixed salary EUR	Management bonus obtained EUR	Fringe benefits EUR	Total compensation EUR
Gotthardt, Frank	560,048	750,000	0	1,310,048
Broer, Jan	150,000	90,000	17,242	257,242
Eibich, Uwe	125,000	100,000	12,986	237,986
Teig, Christian B.	50,000	50,000	0	100,000
Prof. Dr. Winter, Stefan	52,083	20,833	6,766	79,682
Dr. Massmann, Erik	133,333	66,667	4,031	204,031

Compensation of the supervisory board

The compensation of the supervisory board was established by the annual shareholders' meeting and is regulated in § 16 of the Company's articles of association. The compensation is geared to the functions and the responsibilities of the members of the supervisory board as well as to the Group's economic success.

The compensation of the supervisory board is based on an annual fixed amount. In the past financial year, there was no change in the amount of compensation of the individual members of the supervisory board compared to the previous year. Furthermore, the composition and responsibilities of the supervisory board have changed. With effect from 14 May 2009 Ms. Ursula Keller's term of office as employee representative of the supervisory board ended. At the same time, Mr. Ralf Glass has been elected as employee representative of the supervisory board.

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 60,000, while all other members receive EUR 40,000 each. This results in the following allocation for the reporting year:

Name	Supervisory board compensation EUR
Prof. Dr. Steffens, Klaus	60,000
Dr. Esser, Klaus	40,000
Dr. Gotthardt, Daniel	40,000
Prof. Dr. Hinz, Rolf	40,000
Lange, Mathias	40,000
Glass, Ralf	26,667
Keller, Ursula	16,667

Comparison: Compensation of the supervisory board 2008

Name	Supervisory board compensation EUR
Prof. Dr. Steffens, Klaus	60,000
Dr. Esser, Klaus	40,000
Dr. Gotthardt, Daniel	40,000
Prof. Dr. Hinz, Rolf	40,000
Lange, Mathias	40,000
Keller, Ursula	40,000

TAKEOVER-RELATED DISCLOSURES (ACCORDING TO § 315 (4) HGB)

Composition of subscribed capital

The share capital of CompuGROUP Holding AG is EUR 53,219,350 and is subdivided into 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 of the Frankfurt Stock Exchange (Prime Standard). Taking into consideration the treasury shares held by the company in the amount of 3,022,868 shares, there is voting capital of 50,196,482 common shares.

Restrictions pertaining to voting rights or the transfer of shares

Restrictions of voting rights of the shares can result from the provisions of the German Companies Act (Aktiengesetz, hereinafter AktG). This primarily results in shareholders being subject, under certain conditions, to a voting prohibition and, in accordance with § 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 Mr Frank Gotthardt, Dr Brigitte Gotthardt, Dr Daniel Gotthardt and Dr Reinhard Koop as well as the affiliated legal entities attributable to them hold a total of more than 50 percent of the voting shares.

Two effectively separate concluded pooling agreements, first between Mr Frank Gotthardt, GT1 Vermögensverwaltung GmbH, Dr Brigitte Gotthardt and Dr Daniel Gotthardt, and secondly between GT1 Vermögensverwaltung GmbH and Dr Reinhard Koop result in the attribution of 11,900,623 shares to the share pool, reflecting 23.71 percent of shares with voting rights. The purpose of both pooling agreements is, among other things, to safeguard a consistent exercise of the voting rights with respect to the shares of CompuGROUP Holding AG. Mr Frank Gotthardt as well as GT1 Vermögensverwaltung GmbH are holding additional shares which are not attributable to the share pool. Due to the high probability of a consistent exercise of the voting rights according to the terms of the share pool it can be a proportion of voting rights of 48.15 percent assumed.

Half of the shares allocated to the members of the management board within the framework of the stock option program in May 2007 were subject to a holding period of two years. This holding period has ended in April 2009.

The treasury shares reported in the company assets does 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, General Atlantic LLC holds 8,782,085 of the shares with voting rights. Based on all shares with voting rights, this results in a shareholding of 17.50 percent for General Atlantic LLC.

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

§ 84 and § 85 AktG apply to appointments and dismissals of members of the management board. § 133 and § 179 AktG are to be applied to amendments to the articles of association.

Powers of the management board for issuance and repurchase of shares

With the approval of the supervisory board, the management board is authorized to increase the equity of the Company by up to EUR 15,598,775.00 through a one-time or multiple issuance of new shares for cash and/or in-kind capital contributions until 16 August 2011 (approved capital). Furthermore, the management board is authorized to establish, with the approval of the supervisory board, the additional details concerning the execution of capital increases from 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 to establish, with the approval of the supervisory board, the additional details of the execution of the capital increases from approved capital.

In accordance with a resolution by the annual shareholders' meeting on 14 May 2009, the management board was authorized to acquire Company treasury shares in the amount of up to 10 percent of the equity recorded in the trade register in the amount of EUR 53,219,350. The authorization can be exercised in whole or in partial amounts, on a one-time basis or multiple times in the pursuit of one or several purposes by the Company or for its account by third parties. The authorization took effect on 15 May 2009 and remains valid until 14 November 2010.

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.

The management board is authorized to use the treasury shares acquired based on this authorization as follows:

- (1) With the approval of the supervisory board, they can be sold via the stock exchange or by an offer to all shareholders. Furthermore, with the approval of the supervisory board, they can also be sold in another manner if the shares are sold in exchange for a cash payment and at a price that does not significantly fall short of the stock exchange price of

Company shares on the same terms at the time of sale. The combined amount of the equity accounted for by the number of shares sold under this authorization together with the pro rata amount of capital from new shares issued since the adoption of this authorization (i.e. from 14 May 2009) may not exceed a total of 10 percent of the Company's equity capital resulting from possible authorizations for the issue of shares from approved capital with exclusion of the subscription rights under § 186 (3) no. 4 AktG.

- (2) With the approval of the supervisory board, they may be offered and transferred to third parties for the purpose of the direct or indirect acquisition of companies, divisions of companies or stakes in companies.
- (3) With the approval of the supervisory board, they may be offered and sold in consideration of third-party industrial or intellectual property rights, such as patents or brands in particular, or licenses to such rights that are transferred to the Company or one of its subsidiaries for the marketing and development of CompuGROUP products.
- (4) The shares can also be used for the fulfillment of option rights based on stock options issued by the Company.
- (5) With the consent of the supervisory board, they can also be called in without the calling in or the execution requiring an additional resolution of the annual general meeting. The calling in does not raise the percentage of the other shares in the equity capital. Notwithstanding the above, the management board can determine that the equity is not reduced, but instead the percentage of the other shares in the equity is raised in accordance with § 8 (3) AktG. In this case, the management board is authorized to adjust the number of shares in the articles of association.

The authorizations of the preceding section can be utilized on a one-time basis or multiple times, in whole or in partial amounts, individually or jointly; the authorizations in numbers (1) to (4) can also be used by dependent enterprises or those in which the Company holds more than a 50 percent interest, or by third parties acting for the account of the Company.

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

The authorization to acquire treasury shares granted by the annual general meeting of 14 May 2009 will end when this new AGM resolution takes effect. The authorizations granted in the aforementioned AGM resolution to acquire treasury shares remain unaffected by this.

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 § 289 para. 4 no. 8 and 9 of the German Commercial Code (HGB), we herewith make a nil report. In addition to the terms, according to which Mr Teig is granted share options, as mentioned in the compensation report for members of the board above, said share options are subject to a "change of control" clause. Mr Teig may exercise the 375,000 share options immediately during his four year appointment period, if the company during this time experiences a "change of control". A "change of control" is defined as follows: Mr Frank Gotthardt and his family control less than 30 percent of the company shares or another natural or legal person controls a larger number of company shares than Mr Frank Gotthardt and his family.

SHARE REPURCHASE PROGRAM

Completed share buyback-program 05 January 2009 – 31 March 2009

As part of the completed share buyback program which had started on 05 January 2009, CompuGROUP has bought back a total of 403,876 shares or about 0,759 percent of the equity capital at an average price of 4.0960 Euro. This translates into an amount of 1,654,289 Euro.

Completed share buyback-program 1 April 2009 – 27 May 2009

As part of the completed share buyback program which had started on 1 April 2009, CompuGROUP has bought back a total of 500,000 shares or about 0.940 percent of the equity capital at an average price of 4.1708 Euro. This translates into an amount of 2,085,379 Euro.

Completed share buyback-program 4 June 2009 – 31 December 2009

As part of the completed share buyback program which had started on 4 June 2009, CompuGROUP has bought back a total of 125,746 shares or about 0.236 percent of the equity capital at an average price of 5.6852 Euro. This translates into an amount of 714,885 Euro.

CompuGROUP currently holds 3,022,868 treasury shares, or 5.68 percent of equity capital. As at 31 December 2009 the company holds 3,022,868 treasury shares with a purchase price of EUR 14,384 thousand.

FINANCIAL REPORTING

The following disclosure of the financial reporting process is made in accordance with § 315 (2) of the German Commercial Code (HGB) as revised by the German Accounting Modernization Act (BilMoG) at 29 May 2009.

The main features of the internal control system and the risk management system in relation to the (group) financial reporting process can be described as follows:

- Within the CompuGROUP Holding AG Group, a clear management structure and enterprise structure is implemented. The control of regional-covering and sector-covering key functions occurs centrally through the CompuGROUP Holding AG. Operational active subsidiaries have a high level of own responsibility. A clear separation of the functionalities of

- the areas Group “Accounting”, “Controlling”, “Business Services”, “Risk management”, “Procurement” and “Investor Relations” which are involved in the financial reporting process, is implemented with clearly defined responsibilities.
- 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.
 - The departments which are involved in the financial reporting process are in line with the quantitative and qualitative requirements defined by the group.
 - The used financial systems are protected against unauthorized accesses by adequate security mechanisms. The financial systems used are essentially standard software. If required, software certificates for the used software solutions are available.
 - An internal written directive according to company requirements is implemented (amongst others a group-wide risk management directive and research and development directive).
 - For all financial reporting processes, a ‘four-eye principle’ is applied.
 - A review of the financial reporting process is performed in the form of revisions. An internal revision department has not been established so far.
 - Required financial reporting processes are subject to regulated analytical tests. The group-wide risk management system is regularly updated to current developments and reviewed on adequacy in terms of quantity and quality. The risk management system is subject to the group year-end audit through our chartered accountants from PricewaterhouseCoopers AG, Frankfurt.
 - For key issues in accounting, risk management and the audit mandate of the auditor, the Supervisory Board has established an Audit Committee.

The internal control and risk management system described above ensures that corporate balance-sheet issues are properly recorded, processed, assessed and incorporated in the external accounts. A strict organization-, company-, control- and monitoring structure forms the basis for efficient work processes. The staffing and equipment of the financial reporting process involved areas ensure effective and accurate work; both personnel and material. Legal and corporate directives and guidelines providing, that within the areas involved in the financial reporting, a common and proper financial reporting process is ensured. The clear delineation of responsibilities and various control and verification mechanisms ensure correct accounting and a reliable dealing with 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, to assess and communicate them appropriately.

The internal control system of CompuGROUP ensures that a consistent financial reporting through CompuGROUP in accordance with the legal and regulatory requirements and internal policies can be provided. The same is to be said for all companies which have to be included in the consolidated financial statements. Therefore, all relevant information are appropriately and dependable available for the addressees of report.

RISK REPORT

As an internationally operating company, CompuGROUP is subject to a variety of different risks that are linked directly to active entrepreneurial actions. The CompuGROUP corporate group is aware of the necessity to enter into risks, which also enable the Company to make use of presented opportunities. As the manufacturer and provider of software products and individual services for the healthcare sector, the Group is only subject to a minimum level of economic fluctuation. Moreover, the Group’s technological expertise and its extensive market knowledge form a durable foundation, making it possible to assess risks as early and as accurately as possible.

Risk management is understood by CompuGROUP as an ongoing endeavor to recognize, analyze and evaluate the extent of potential and actual developments and – to the extent possible – to take measures to reduce the risk factors to a minimum. CompuGROUP’s risk management principles, which are seen as an important part of managing the Group, have been organized in a set of fixed guidelines that are to be applied uniformly across the Group. They should enable management to identify, at an early stage, risks that could endanger the growth or the continued existence of CompuGROUP and minimize their effects to the greatest extent possible. The Group’s established controlling systems form the risk management foundation with respect to the monitoring of operational as well as strategic risks. The responsible risk manager submits a risk report to the management board on a quarterly basis. The report contains qualitative and quantitative assessments with regard to the probability of occurrence and the potential financial loss resulting from the identified risks that could have a detrimental effect on the Company.

The management board will be informed immediately of any new risks identified during the year. High-quality reporting is the central basis for monitoring and management, as it facilitates prompt implementation of preventative measures. In this way, management of the CompuGROUP group is informed monthly and quarterly on the operational and non-operational business, and receives analyses of the assets, financial position and results. The following risk has been communicated to the Management Board:

Strategic Risks

Strategic risks are understood by CompuGROUP as risks, which can endanger the target achievement due to an insufficient orientation of the company to the respective market environment. Strategic risks may therefore result from inadequate strategic decision-making process, due to unforeseen market developments or from a faulty implementation of the chosen corporate strategy. For CompuGROUP the strategic direction of the Group is set at board level and subjected to regularly reviews.

Essential for the CompuGROUP-group are risks associated with changes in the healthcare market. This is 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 eHealth market is characterized by rapidly changing technologies, the introduction of new industry standards and new software introductions and new functionalities. This can lead to that existing products and services become obsolete and therefore losing their competitiveness.

Caused by regulatory changes or the introduction of new industry standards, could affect the market positioning of CompuGROUP in this way that the offered products and services are no longer suitable in its entirety to these new statutory requirements or industry standards. Also, new products or changes to existing pricing models of competitors could have a negative impact on the future market positioning of CompuGROUP.

The future success of CompuGROUP will partially depend on the ability to improve existing products and services to respond timely to the introduction of new products from competitors and to meet changing customer and market requirements. Furthermore, additional costs for product development would occur for CompuGROUP driven by quickly becoming obsolete products and services what could lead in adverse effects on net results.

Macroeconomic risks

The offered products and services by CompuGROUP are currently marketed in 18 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 as remedy and export restrictions, competition regulations and laws for the use of the internet or restrictions for the development and deployment of software products and services.

CompuGROUP antagonize against these risks that in both market entry and in the follow-up business activities in these countries a national consultants in form of lawyer's offices and tax advisors will be regularly consulted and an information exchange with the resident public authorities takes place. In general risks that may arise from changes in macroeconomic factors can never be excluded completely.

Operational risks

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, 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.

Data protection

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

Market and customer risks

Due to the complexity and significant legal requirements of our products entails the distribution of sales and service partners, certain risks. To ensure also compliance with quality requirements 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 eHealth 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 fiscal year, we expect, as in the past fiscal year a consistently well business development with manageable risks which could have an impact on the profit situation.

Risks related to law and politics

CompuGROUP's business activities are strongly influenced by the regulatory environment in the public healthcare systems of the individual national markets and thus also by the market structures that are formed by these regulations. The regulatory structure of the European healthcare sector, which is the Company's primary market at this time, is based on regulations, such as the laws and directives issued by the respective national states and/or by supra-national structures, the latter primarily enacted by the European Union and/or quashed or amended by court decisions.

In particular, CompuGROUP hereby faces the risk that amendments to existing or the adoption of new regulations at a national or supra-national level (the latter primarily referring to the EU level) may adversely affect market conditions relevant to CompuGROUP and thus have a detrimental impact on the business activities of the Group or its individual subsidiaries.

It is not possible to make clear projections with regard to the introduction and extent of potential changes to national and supra-national regulatory bodies or their impact on the markets that are important for CompuGROUP. 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.

In the reporting year, the Group faced risks in Germany furthermore from legal changes (AVWG) impacting the business area of pharma communications (HCS segment). Based on our current assessments and the resulting analyses from the Management, the aforementioned situation will have a negative impact on our economic development in the 2010 financial year, specifically the results of the directly-affected subsidiaries.

The Group's subsidiary Tepe International A.S. make claims for indemnifications because of various infringements against contractual agreements. The litigation is pending at the ICC Court. Tepe International AS start proceedings – based on the regulated procedures from the asset purchase agreement in 2006 – a sum of USD 11,100,000 (Exchanged as at the 31 December 2009: EUR 7,744,200). These are attributable primarily (USD 8,000,000) for anti-competitive practices and a lack of transfer of shares, including its profits (USD 2,000,000). The 10 percent of the turnover of Tepe TEK according to the cooperative agreement for the years 2007 and 2008, sues Tepe International AS for an amount of TL 2,150,000 (Exchanged as at the 31 December 2009: EUR 991,384). Lost profits for the remaining eight years of cooperation agreement claims Tepe International AS with EUR 6,757,600. Tepe International A.S. also sues for a trade receivable amounting to TL 2,115,412 (Exchanged to the 31.12.2009: EUR 975,435), which has been provided to Tepe TEK.

In return, Tepe TEK has brought suit against mainly due to loss of reputation in the amount of U.S. \$3,000,000 (Exchanged as at the 31.12.2009: EUR 2,093,030) and due to lost business in the amount of \$6,950,000 (31.12.2009: EUR 4,848,850).

There are currently no known or threatened legal disputes in existence that might have a significant impact on the financial situation of the Group (with the exception of the active litigation proceedings of the subsidiaries Medistar Praxiscomputer GmbH and Tepe International AS).

CompuGROUP is largely dependent on its proprietary information and technology. CompuGROUP believes that the currently available options are sufficient to protect the property rights in order to prevent illegal use. In addition, the laws in other countries may not be designed to protect property rights.

Although our license agreements with customers attempt to prevent misuse of the source code or trade secrets, is there a residual risk that source code or trade secrets can get in the possession of third parties so that these benefit from them illegally. It is also conceivable that third parties thereby are able to develop independently similar or superior products, which are corresponding to the technology or design around the proprietary rights of CompuGROUP.

Financial 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 implemented a support structure that is based on credit lines with national and international Company-affiliated banks.

Essentially CompuGROUP considered amendments in the interest rates as the primary market risk. Accordingly, the risk management strategy aims to offset relevant fair value and cash flow risks. Keeping in mind that most of the long-term financial liabilities of the Company have been closed on the basis of variable interest rates, an interest rate risk occurs, especially for cash flows. To hedge this risk, the company has entered in a swap contract, and therefore fixed the interest rates, rather than exposing them to market fluctuations. Through the closing of interest rate swaps a limitation of the interest rate risk on cash flows and steady payments can be ensured. As part of the interest rate swap payments were arranged at fixed intervals equal to the difference between the fixed and variable interest rate.

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. Considering our current situation, there is no evidence that upcoming 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.

Because of 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. Up to date the Company has not used derivative financial instruments to hedge the foreign currency exposure. The development of the relevant positions is monitored regularly to ensure adequate response to significant changes in the positions.

The Company plans to further develop its presence in the national and international market, through such means as the acquisition of companies. In this process, acquisitions are prepared and analyzed with the greatest possible care and diligence. Nonetheless, every acquisition carries its own inherent risk, which, if encountered, may have an impact on the Company's results.

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

In the accounts of CompuGROUP deferred tax assets on losses carried forward considered. Future tax reliefs resulting from the utilization of tax losses carry forward are accounted under IFRS as an asset. In case of that expected profits that may be considered to utilize these losses, are not achievable in future, the approach of deferred tax assets has to be reduced in total or partly. Furthermore, possible future developments in legislation could have the effect that the deferred tax assets have to dissolve in total or partly.

Personnel risks

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 and the results and financial position would be negatively impacted.

The Group considers the performance of its employees to be essential for its growth and development. Thus, the Group is in competition with other companies for highly qualified specialists and executives. As a result, the Group offers an attractive compensation system as well as individually tailored continuing education to be able 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.

Risks from project business

The Company makes part of its sales in the project business. Here, 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 thus long-term product life cycle, the area of hospital information systems (HIS) is especially exposed to the risk that lucrative new business may require a long-term approach. 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 Company's results.

Overall risk evaluation

The legal and political risks in 2010 are unchanged at a higher level. CompuGROUP expected to have a negative impact on revenue and income, especially in the HCS segment. In the foreign exchange and project risks, the trend continues upward, reflecting the proceeding internationalization the further increasing sales volume in the project business stemmed from obtained large contracts. Foreign exchange risks were currently calculated at a Value at Risk of approximately EUR 1.0 million related to the EBITDA of the Group.

Through operative measures and by taking financial precautions in the form of allowances and value adjustments we will likely be able to hedge these risks.

Risks that may impact the Company as a going concern were not evident in 2009, neither in form of individual risks nor from a total risk perspective for CompuGROUP as a whole.

OUTLOOK

CompuGROUP offers the following guidance for 2010:

- Revenue is expected to be in the range of EUR 315 million to EUR 330 million.
- Operating income (EBITDA) is expected to be in the range of EUR 67 million to EUR 73 million.

The outlook for 2010 represents management's best estimate of the market conditions that will exist in 2010 and how the business segments of CompuGROUP will perform in this environment.

In the HPS segment, the organic growth rate is expected to exceed 10 percent and acquisitions to date will grow HPS revenue by approximately 5 percent. The EBITDA margin is expected to improve relative to 2009. The portfolio of software maintenance from existing customers is approximately EUR 150 million at the beginning of 2010 compared to EUR 120 million at the beginning of 2009.

In the HCS segment, our forecast assumes a 10-20 percent loss of revenue in the Communication and Data business. Other HCS revenue is expected to more than compensate for this decline and in total, HCS revenue is expected to grow with stable EBITDA margin relative to 2009.

The foregoing guidance does not include revenue and costs associated with potential and currently undetermined further acquisitions during 2010.

Looking in the medium term beyond 2010, CompuGROUP expects to continue the growth in revenue and EBITDA. As a market leader in Europe, the company is ideally positioned to benefit from changes in healthcare systems all over the world with demand for software solutions and IT services less sensitive to economic climate. As such, CompuGROUP 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.

GENERAL ECONOMIC CONDITIONS

Global economic development

The 2009 financial year was characterised by the worst economic crisis since the end of the Second World War. While the world economy still grew by 3 percent in 2008, the IMF (International Monetary Fund) reported a decline of 0.8 percent in 2009. After an initial recovery in economic development in most industrialised states in summer 2009, this upwards trend strengthened noticeably in the second half year, mainly driven by state stimulus packages and automatic stabilisers.

The IMF is forecasting global growth of 3.9 percent for 2010. This is an upwards correction of 0.75 percent in comparison with the forecast in October 2009. In the industrialised states a rather sluggish recovery is expected (2.1 percent), while emerging markets and developing countries are expected to grow relatively strongly (6 percent).

The Eurozone was particularly badly hit by the economic crisis and at -4 percent had the strongest decline among the industrialised states, alongside Japan and the United Kingdom. After this contraction, the economy in the Euro area will expand slightly again by one percent overall in 2010.

While economic output in Germany still rose by 1.3 percent in 2008, economic output in 2009 was 4.8 percent below the level of the previous year. Here the decline in exports and sinking equipment investments were particularly noticeable, while private consumption remained stable, supported by state programmes (short time working money, car scrappage scheme).

However, since the second quarter of 2009 the German economy has recovered a good fifth of the preceding loss of production. The Deutsche Institut für Wirtschaftsforschung (DIW, or German Institute for Economic Research) has forecast economic growth of 2.1 percent for 2010. At the end of 2011 economic output will approximate the level in the middle of 2008 again.

Industry development

According to information from the Bundesverbandes Informationswirtschaft Telekommunikation und neue Medien e.V. (BITKOM, or Federal Association for Information Technology, Telecommunications and New Media) on the basis of data from the European Information Technology Observatory (EITO), worldwide ITC volumes were around EUR 2.4 trillion in 2009. The ITC market encompasses the information technology (hardware, IT services and software) and telecommunications (TC infrastructure, end appliances and telecommunications services) sectors. Among the strongest regions are the USA and the European Union with a share of world market volumes of one third each. In a comparison of individual countries Germany was in fourth place with 5.5 percent, after the USA, Japan and China.

The economic crisis has also left its mark on the ITC sector, even if it did not hit it as hard as other sectors. According to BITKOM the European market declined by 2.2 percent to EUR 718 bn. Germany posted a minus of 2.5 percent to EUR 129.7 bn. The information technology sector developed analogously to the overall market with a decline of 2.6 percent while the software sub-segment had to suffer a decline of -3.2 percent on the previous year.

The view of 2010 is optimistic. Forrester Research anticipates a worldwide plus of 8.1 percent for IT expenditure worldwide in 2010. Tending to be positive, but less euphoric, the International Data Corporation (IDC) forecasts an increase of 3.2 percent for the ITC sector, which would mean the growth rates achieved before the recession remaining out of reach.

According to BITKOM's forecast the ITC market will stabilise with expected growth to be moderate at 0.3 percent (EU) and 0.2 percent (Germany). The BITKOM sector barometer, a quarterly survey about the business situation and sales expectations in the German ITC sector, produced a positive trend. The large majority of providers of information technology and telecommunications (ITC) products and services expect growth in sales in 2010. Accordingly 57 percent of the surveyed companies anticipate growth and 17 percent stable business.

Healthcare industry and e-Health

According to the OECD, the health sector is a central constituent of European economies with an output of 10 percent of gross domestic product on average. By 2020 this share will increase to 16 percent, due above all to demographic developments, technological progress and stronger health awareness in the population. Greater financial pressure will force this development to become more efficient. To achieve this, the sector will have to utilise information and communication technologies. According to a study by Roland Berger Strategy Consultants the market for electronic health services (e-Health) has enormous future potential. This encompasses clinical information systems, integrated health information networks, systems related to the health service and telemedicine (e-Care).

Starting from an estimated EUR 24.6 billion in 2010, the EU Commission forecasts annual growth of 11 percent in the e-Health sector from 2010, which will subsequently accelerate still further. A strong political commitment is added to this. Thus the EU already defined the e-Health market as one of the six "lead markets" in 2007, i.e. a particularly promising economic sector, and hopes for up to 230,000 new jobs in Europe from this initiative.

CERTIFICATION OF LEGAL REPRESENTATIVES

We declare to the best of our knowledge that the Group financial statements give a true and fair view of the Company's assets, financial position and results in accordance with applicable accounting policies and that the management report gives a true and fair view of the business operations, including the Company's results and position, and presents the major opportunities and risks facing the Company in the foreseeable future.

Koblenz, 4 March 2010

CompuGROUP Holding AG
The Managing Board



Frank Gotthardt



Christian B. Teig



Jan Broer



Uwe Eibich



Prof. Dr. Stefan Winter