Leading provider of IT infrastructure and professional services

Annual report 2009

About CANCOM…

Established in 1992, the CANCOM Group, based in Jettingen-Scheppach, Germany, is the leading supplier of IT infrastructure and professional services. Since going public in 1999, CANCOM IT Systeme AG has steadily developed by means of strategic acquisitions from a niche trading business into the third largest independent systems integrator in Germany. Over the last few years the Group has also transformed itself from a pure supplier of hardware and software into an integrated IT service provider. It offers a full spectrum of products and services in a one-stop shop, from IT advice and concept development, to procurement, integration and system operation. As one of the most important partner of HP, Microsoft, IBM, Symantec, Citrix, VMware, Apple and Adobe, CANCOM has significant core expertise in the IT.

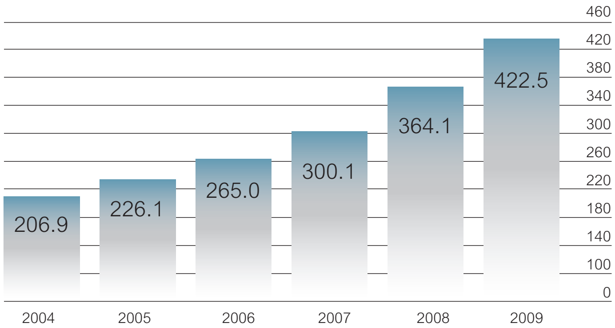
The voting of the users is clear:
CANCOM is Germany's Best Integrated Systems Provider 2009.

COMPUTERWOCHE, the leading German weekly magazine for the IT sector, has identified the customers' most popular integrated systems providers in cooperation with ChannelPartner. In the categorie of more than € 250 million of revenues CANCOM reached the grade 1,53 and outperformed the competitors clearly.

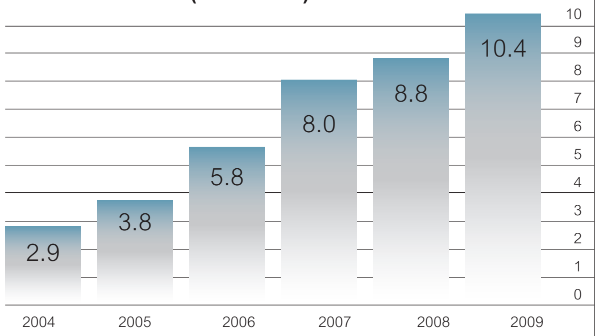
Overview of key figures CANCOM group (in € million)

	2009	2008	2007	2006	2005	2004
Revenues	**422.5**	364.1	300.1	265.0	226.1	206.9
Gross profit	**119.3**	107.8	88.3	66.1	42.9	34.1
Gross profit margin (%)	**28.2**	29.6	29.6	24.9	19.0	16.5
Consolidated EBITDA	**10.4**	8.8	8.0	5.8	3.8	2.9
Consolidated EBIT	**7.0**	5.4	6.2	4.3	2.4	1.2
Net income for the period (after minority interests)	**5.1**	2.7	4.7	2.4	1.0	0.1
Earnings per share (in €)	**0.49**	0.27	0.45	0.24	0.11	0.02
Balance sheet total	**134.9**	120.7	100.4	86.5	70.1	57.6
Equity	**43.9**	38.9	36.3	33.4	26.9	23.9
Equity ratio (%)	**32.5**	32.2	36.2	38.9	38.4	41.5
Adjusted average number of shares (in 1,000) (diluted)	**10,387**	10,391	10,391	9,924	9,462	8,511
Employees as of December 31	**1,870**	1,778	1,319	1,254	567	420
Cash and cash equivalents as of December 31	**25.8**	18.3	11.8	7.3	11.9	7.2

Revenues 2004-2009 (in € million)



EBITDA 2004-2009 (in € million)



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CANCOM IT Systeme AG
Messerschmittstraße 20
D–89343 Jettingen-Scheppach
Germany
www.cancom.de

Investor Relations
Beate Rosenfeld
Telefon: +49 8225 996-1015
Fax: +49 8225 996-4-1015
E-Mail: ir@cancom.de

Designed and produced by
CANCOM IT Systeme AG, Jettingen-Scheppach
E-Mail: info@cancom.de

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D- 83361 Kienberg
Germany

Translation
Verbum versus Verbum, Rosbach v. d. H.,
Germany
E-Mail: verbum.versus.verbum@t-online.de

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Letter to our shareholders

Dear Shareholders,

The financial year 2009 is now behind us. We are both pleased and proud that, despite the difficult economic environment in the past year, our figures are as good as usual. In contrast to many of our competitors, we managed to continue growing in 2009 and make record sales revenues. CANCOM has now risen to become the third largest German integrated systems provider.

The year 2009 was marked by rigorous cost management and the integration of the companies acquired in 2008.

The acquisition in December of BÜROTEX, based in Nürtingen, Germany, and SCC in Stuttgart, Germany, has helped us to consolidate further our position in the German integrated systems provider segment. The two companies, which operate predominantly in the German federal state of Baden-Württemberg, made sales revenues totalling about € 55 million in 2009, and between them they employ about 280 people. They are both among the 25 largest integrated systems providers in the country. The business models of these companies complement ours ideally and, with a new total of about 1,900 employees and well over 30 locations in Germany and Austria, we are an even stronger, more customer-oriented group. Our high quality standards received recognition in the form of an award for Best Integrated Systems Provider of 2009 from renowned German trade magazines COMPUTERWOCHE and Channelpartner, which was based on a reader survey carried out in the summer of 2009.

In 2009, as in past years, we laid particular emphasis on maintaining the strength of our balance sheet and enjoyed a good credit status with banks, credit insurers and customers. On top of this, our comfortable cash position and the CANCOM shares we acquired in a share buy-back scheme provide the scope for further acquisitions. It is also intended to pay a dividend for the financial year 2009.

We are well placed in the contest for market consolidation currently taking place in our sector, and certain to end up among the winners.

We would like to thank our employees for their commitment and their good work in the past year.

Thanks also to you, our shareholders, for your confidence in us.

Klaus Weinmann   Paul Holdschik   Rudolf Hotter

Executive Board of CANCOM IT Systeme Aktiengesellschaft

The share


52-Wochen
Hoch
Tief
KGV
Gewinn
+/- %
35,19
111,20
42,88
58,97
30,56
35,88
24,82
10,03
20,40
4,628
15,66
24,69
18,20
37,28
8,313
2,00
0,95
15,2
-0,9

The share

Key figures relating to the capital

	31 Dec. 2009	31 Dec. 2008	Changes as %
Financial year-end stock exchange price (Xetra closing price in €)	3.90	2.27	+ 71.8
Number of shares (in million)	10.39	10.39	+ 0.0
Market capitalisation (in € million)	40.52	23.59	+ 71.8
Earnings per share (in €)	0.49	0.27	+ 81.5

The trend in the German equities market

Despite the continuing financial crisis, the German equities market closed the stock market year on a very positive note. After a rather restrained start to the year and a very sharp drop in prices in the spring, the German DAX blue-chip index made a rapid comeback to gain almost 24 percent by the end of the year. The German TecDAX technology index (that reflects the price development of the 30 largest technology shares in Prime Standard below the DAX) rose by about 305 points, or just under 60 percent, over the course of the year to finish at 817.58. The German Technology All Share index (that reflects the price development of all technology shares in Prime Standard) gained about 53 percent to close the year at 932.96 points.

Development of the CANCOM share price

The CANCOM share performed very well during 2009, as did the German indices. The CANCOM share opened the year 2009 at € 2.40. In January it suffered from the general downturn on the German stock exchanges and its price fell briefly to € 1.76 (15 January 2009), but within four months the share price had risen again to € 2.20 (6 May 2009). After a sideways movement lasting through the summer months, by the middle of September it had more than made up for its earlier losses by rising to € 2.95. Driven by the confident mood on the stock exchanges and boosted by favourable company announcements, the CANCOM share price continued to rise up to the end of the year, peaking on 21 December 2009 at € 3.98 and finally closing at € 3.90.

The DAX has had a brilliant start to the year 2010, briefly crossing the 6000 mark. The TecDAX also continued to gain in January, ending the month at 870 points, although in February it dipped again.

The CANCOM share has had an equally positive start to 2010; by the start of March the stock exchange price had risen to more than € 6.00. By deadline on 12 March 2010 the CANCOM share price closed at € 5.98.

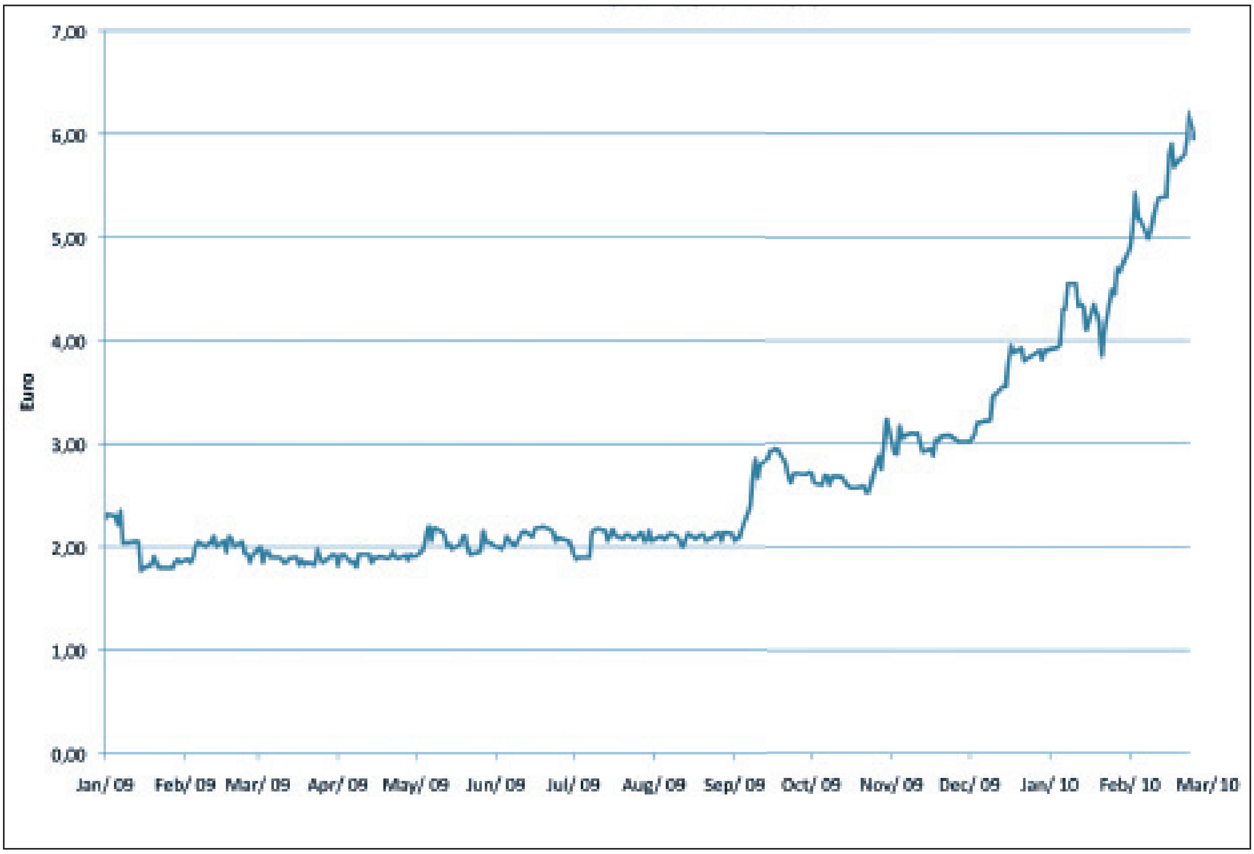
Investor and public relations

CANCOM has always seen active financial communication as one of its central management tasks. We therefore attach great importance to openness and transparency.

In addition to fulfilling the mandatory requirements, such as ad hoc announcements and quarterly reporting, CANCOM works intensively on its investor and public relations. Above all, this calls for a regular, ongoing supply of reliable information to the entire capital market.

In addition to maintaining an extensive internet presence with a comprehensive website, one of our primary tasks is to keep in frequent contact with shareholders, investors, business and IT media, analysts and investment fund managers.

Events held by CANCOM in 2009 included an analysts' meeting at its office in Munich, gave presentations to investors and journalists during an investor relations trip and took part in the German Equity Forum 2009 at Deutsche Börse AG in Frankfurt am Main. CANCOM also gave presentations to the capital market at road shows in Frankfurt am Main, Hamburg and Düsseldorf. Up-to-date information about the CANCOM share can be found on the Investor Relations page of our website at www.cancom.de.



Management report of CANCOM IT Systeme AG and the CANCOM Group for the financial year 2009

1. CANCOM's business and the general economic situation

Organisational and legal structure of the CANCOM Group

CANCOM IT Systeme Aktiengesellschaft, based in Jettingen-Scheppach, Germany, performs the central financial and management role for the equity investments held by the CANCOM Group.

The e-commerce/trade operating segment includes CANCOM Deutschland GmbH, HOH Home of Hardware GmbH, CANCOM Computersysteme GmbH, CANCOM a + d IT solutions GmbH, CANCOM (Switzerland) AG, CANCOM Ltd. less the cost centres allocated to CANCOM IT Solutions GmbH. The operating segment mainly comprises the transaction-focused activities of the Group based on online, catalogue, telephone and direct sales.

The IT solutions operating segment includes CANCOM NSG GmbH, CANCOM SYSDAT GmbH, CANCOM physical infrastructure GmbH, Novodrom People Value Service GmbH, acentrix GmbH, CANCOM Service Center Süd GmbH, NSG Datacenter Services GmbH, CANCOM IT Services GmbH, CANCOM IT Solutions GmbH and the cost centres of CANCOM Deutschland GmbH allocated to it. This operating segment offers complete IT infrastructure and applications support. The range of services includes IT strategy advice, project planning and implementation, system integration, maintenance, training, and numerous IT services, including running entire IT departments.

Other companies consists of the parent company, CANCOM IT Systeme Aktiengesellschaft and CANCOM Financial Services GmbH (from its first inclusion in the consolidated accounts on 8 December 2009). CANCOM IT Systeme Aktiengesellschaft performs the staff or management function. As such, it provides a range of services for its subsidiaries. The costs of central management of the Group and investments in internal Group projects also fall within this company.

For further information on segment reporting, please see the Notes to the segment informations.

Focus of activities and sales markets

One of the three largest independent integrated systems providers in Germany, the CANCOM Group has steadily been transformed over the last few years through strategic acquisitions from a systems house focusing primarily on hardware and software, into an IT systems integrator. As a provider of integrated services, its central focus is now on providing IT services in addition to selling hardware and software from prestigious manufacturers. Its IT services range includes design and integration of IT systems, as well as system operation.

The CANCOM Group's customer base therefore includes primarily commercial end-users, from independent professionals to medium and large-sized companies and public-sector institutions. Through the e-commerce platform of HOH Home of Hardware GmbH at www.hoh.de, the CANCOM Group provides products and services to private as well as business customers.

Explanation of the control system used within the Group

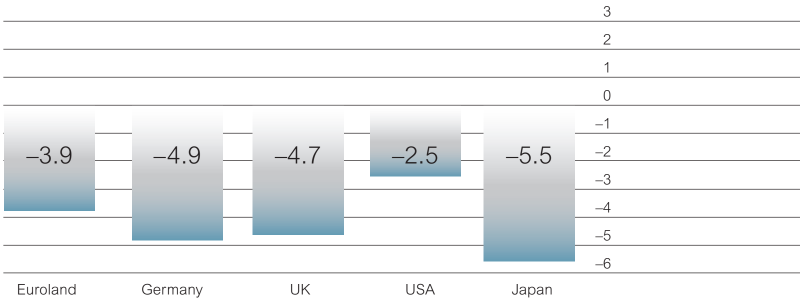
To control and monitor the development of the individual subsidiaries, once a month CANCOM analyses, among other things, their sales revenues, gross profit, operating expenditure and operating profit, and compares these key figures with the original plan as well as the quarterly forecast. Additionally, the Company regularly uses external indicators such as inflation rates, interest rates, the general economic trend and the performance of the IT sector – as well as forecasts for these – for the purpose of management control. The cash management procedures include a daily status investigation.

Research and development activities
Innovation is very important for economic momentum and growth. CANCOM focuses its research and development activities on the trend areas for IT, and in 2009 it invested in the development of market-ready new products, processes and services.

One object of CANCOM's investment in 2009 was a software to help manage IT service processes for large customers. This software offers an integrated solution to list the orders, to plan and mobilise the resources and staff, to track the services and to bill the completed services automatically. The developed tool offers an optimal IT service process solution to reduce response times and improve service level agreements. CANCOM has also developed an asset management system for economical management of customer assets, which can be flexibly adapted to and integrated into existing customer solutions. The CANCOM solution offers customers a continuous support service, even for basic components. This feature is often a factor in a customer's purchasing decision, and one that significantly increases the chances of success of a project while at the same time increasing the benefits to the customer. Development costs of € 945k from these investments were capitalised.

The performance of the economy as a whole
In 2009 the global financial and economic crisis had a major impact on the German economy, which contracted for the first time in six years. Germany's GDP was 5.0 percent lower than in 2008. In 2008, GDP grew by 1.3 percent. This was the sharpest slump in economic activities since the Second World War. There were signs of a downward trend in the economy as far back the second quarter of 2008, which continued into the first quarter of 2009. It was only in the second quarter of the year that a slight levelling-off in economic performance at a new, lower level became apparent. Exports were particularly badly hit. While exports fell by 14.7 percent, imports fell by only 8.9 percent. In 2008, exports rose by 2.9 percent while imports rose by 4.3 percent.

Gross domestic product in 2009*
(real change compared with 2008, as a percentage)



* Forecast: Deutsche Bank Economic Research Bureau, Frankfurt, Germany, 18 January 2010

According to estimates by the German Federal Statistics Office, the inflation rate in Germany in 2009 was 0.4 percent.

The last European Central Bank reduction in the key interest rate for the eurozone was on 7 May 2009, when it was cut by 0.25 percentage points to 1.0 percent. Since then it has remained at a record low. In the UK, the Bank of England last reduced its base rate on 5 March 2009 to 0.5 percent.

According to the German Federal Employment Agency, in 2009 the unemployment rate rose by 0.4 percent compared with 2008, to 8.2 percent.

For the year 2010 as a whole, the German Federal Government expects a real increase in gross domestic product of 1.4 percent.

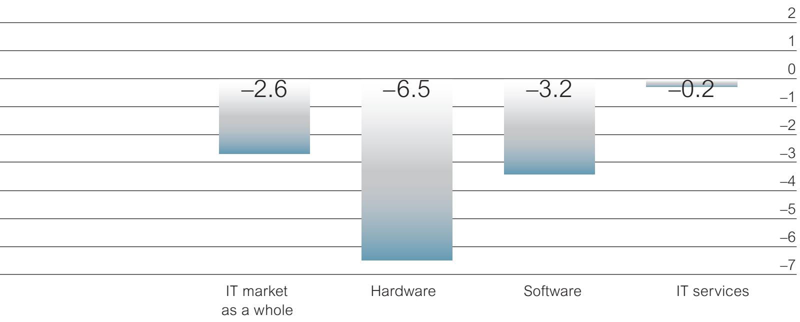
The performance of the information technology sector

According to the latest forecasts by the German Association of the Information Industry, Telecommunications and New Media (BITKOM), the German IT market contracted by 2.6 percent in 2009 (final figures were not available at the time the financial statements were compiled).

The IT hardware and software segments recorded a decline of 6.5 percent and 3.2 percent respectively, while the IT services segment was almost unchanged, with negative growth of 0.2 percent. Outsourcing services, which are included in this figure, grew by 5.1 percent during the crisis.

Performance of the German IT sector in 2009 **

** (real change compared with 2008, as a percentage)



** Forecast: BITKOM, October 2009

Overview of the CANCOM Group's business performance

The CANCOM Group continued on its path of growth in the financial year 2009. Consolidated sales revenues and operating profits both exceeded the figures for the previous year, and both reached their highest levels in the history of the Company. The Group's UK subsidiary CANCOM Ltd., which was classified as a discontinued operation in 2008 in compliance with IFRS 5, was classified as a continued operation, after attempts to sell the company were abandoned. For this reason some adjustments to the previous year's figures have been necessary.

Consolidated sales revenues were up 16.0 percent in 2009, from € 364.1 million to € 422.5 million.

Consolidated gross profits rose 10.7 percent year-on-year, from € 107.8 million to € 119.3 million. The gross profit margin fell slightly during the year from 29.6 percent to 28.2 percent, owing to the addition of the trading business of the e-commerce unit HOH Home of Hardware, which CANCOM acquired in December 2008.

Consolidated EBITDA rose by 18.2 percent year-on-year, from € 8.8 million to € 10.4 million.

Consolidated EBIT was up 29.6 percent in comparison with 2008, from € 5.4 million to € 7.0 million. Consolidated EBIT includes extraordinary income as well as one-off expenditure on restructuring work that has since been concluded. These items almost offset each other.
The consolidated income for the year rose from € 2.7 million in 2008 to € 5.1 million in 2009. This resulted in earnings per share of € 0.49, compared with € 0.27 in 2008.

CANCOM SCC GmbH (formerly BT IT-Consulting GmbH, until October 2009 SCC GmbH, which was acquired during the financial year, is included in the consolidated financial statements with effect from 31 December 2009, while the newly acquired subsidiaries BT IT-Systemhaus GmbH (formerly Bürotex GmbH Systemhaus), BT IT-Solutions GmbH (formerly Bürotex IT solutions GmbH) and live Netzwerk & Computer GmbH are only included with effect from 1 January 2010.

The balance sheet total rose from € 120.7 million to € 134.9 million year-on-year as a result of the Company's continued growth. The nominal equity capital rose from € 38.9 million to € 43.9 million. This resulted in an equity ratio of 32.5 percent, compared with 32.2 percent in 2008.

The strong growth and the associated increase in current assets nevertheless resulted in a significant positive operating cash flow of € 10.7 million in 2009, compared with € 13.1 million in 2008.

Cash and cash equivalents as at 31 December 2009 was considerably higher than at the same date in 2008, having risen from € 18.3 million to € 25.8 million.

Although there was some restraint in consumer spending in the first half of 2009, from October there was a noticeable upturn in incoming orders, which continued to rise through December 2009 and January 2010.

Significant events and investments

CANCOM regularly optimises its corporate structure in order to secure and consolidate its position in existing markets and also to tap new markets. For this purpose, CANCOM continued to pursue an active acquisition policy in financial 2009. Below, in chronological order, is an overview of the events that had a significant effect on the Group's business performance, and other important events in the financial year 2009:

- **Increase in CANCOM's shareholding in HOH Home of Hardware**

  With retroactive effect from 1 January 2009 Home of Hardware Verwaltungs GmbH was merged into SYSNET Computer-Vertriebsgesellschaft mbH. The merger was documented in a contract dated 5 August 2009. Then SYSNET Computer-Vertriebsgesellschaft mbH (wholly-owned subsidiary of CANCOM IT Systeme AG) has acquired the remaining 24.5 percent of the shares of Home of Hardware GmbH & Co. KG, increasing its shareholding to 100 percent.

  SYSNET Computer-Systemvertriebsgesellschaft mbH now holds all of the limited partnership interest in Home of Hardware GmbH & Co. KG. The result was the accruement of the assets and dissolution of Home of Hardware GmbH & Co. KG. Afterwards SYSNET Computer-Systemvertriebsgesellschaft mbH was renamed as HOH Home of Hardware GmbH.

  CANCOM's complete takeover of Home of Hardware underlines the Company's strategic expansion of its e-commerce activities as a complement to its service-oriented integrated systems provider business.

- **Increase in shareholding in CANCOM Financial Services GmbH**

  CANCOM IT Systeme AG has increased its stake in CANCOM Financial Services GmbH from 50 percent to 100 percent. The acquisition is documented in a contract dated 8 December 2009. The Executive Board feels that with increasing customer demand for alternative financing arrangements, this business has potential for the purchasing of information and telecommunications technology.

- **CANCOM Ltd. UK**

  In their meeting on 10 December 2009, the Executive Board and the Supervisory Board resolved to abandon attempts to sell the Group's UK subsidiary, CANCOM Ltd., because of a change in the company's earnings prospects. The company is therefore classified as continued operation.

- **Acquisition of the integrated systems providers of the BÜROTEX Group**

  On 22 December 2009, CANCOM IT Systeme AG signed an agreement to acquire 100 percent of BT IT-Systemhaus GmbH, based in Nürtingen, Germany. The acquisition includes the group's wholly-owned subsidiary BT IT-Solutions GmbH, also based in Nürtingen, and BT IT-Solutions GmbH's 75-percent subsidiary live Netzwerk & Computer GmbH, Munich, Germany. Additionally, CANCOM IT Systeme AG has acquired an interest of 100 percent in CANCOM SCC GmbH, based in Stuttgart, Germany. In line with the provisions of the contract of sale, CANCOM SCC GmbH is to be included in CANCOM's consolidated financial statements from 31 December 2009 (date of change in control), while BT IT-Systemhaus GmbH, BT IT-Solutions GmbH, and live Netzwerk & Computer GmbH will be included in the Group's financial statements from 1 January 2010.

  This step further consolidates CANCOM IT Systeme AG's position in the German integrated system provider environment. The BÜROTEX Group is one of the leading IT trading and consultancy companies in the German federal state of Baden-Württemberg and is among the 25 largest integrated systems providers in the country. At the time of the acquisition the companies acquired employed 278 people, including 46 trainees, and in 2009 they made estimated sales revenues of about € 55 million.

- **CANCOM SCC GmbH: difference between net assets of the acquired company and acquisition price**

  In acquiring the shares of CANCOM SCC GmbH, CANCOM IT Systeme Aktiengesellschaft acquired net assets that exceeded the acquisition price including incidental costs.

  The purchase was a bargain purchase as defined by IFRS 3. The difference, which amounted to € 1.8 million, was therefore immediately recognised as revenue.

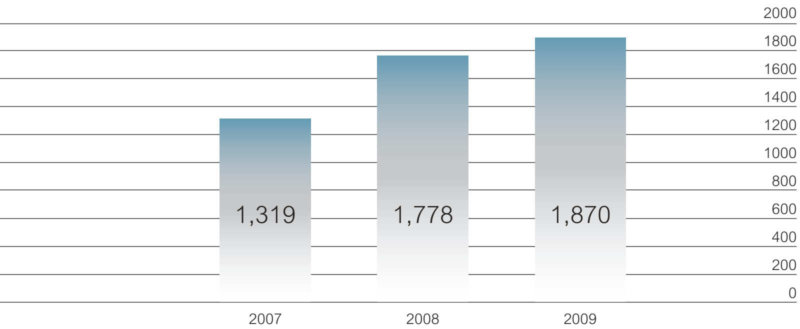
Employees

The CANCOM Group employed an average of 1,777 people over the financial year 2009, as compared with 1,588 in 2008. As at 31 December 2009 the Group employed 1,870 people, compared with 1,778 the previous year.

The employees worked in the following areas (as at 31 December):

Professional services:	1.192
Sales and distribution:	344
Marketing and product services:	28
Purchasing, logistics and order processing:	131
Central services:	175

Number of employees in the CANCOM Group, 2007–2009
(as at 31 December each year)



The personnel expenses were as follows (in € '000):

	2009	2008
Wages ans salaries	69,965	61,698
Social security contributions	12,842	11,330
Thereof Pension provisons	198	188
Total	**82,807**	**73,028**

Environmental report

As a trading and service company, CANCOM's objective is to offer products and services of excellent quality at an attractive price, but also to be as environmentally-friendly as possible. CANCOM therefore places great importance on conserving the resources at its disposal.

CANCOM also uses innovative green IT solutions to make a professional contribution to the environmentally-friendly and resource-conserving use of information and communications technology over the whole life cycle of the equipment. For instance, CANCOM offers its customers the advantages of state-of-the-art, energy-efficient data centres, which bring not only ecological benefits but also considerable savings on a company's energy costs.

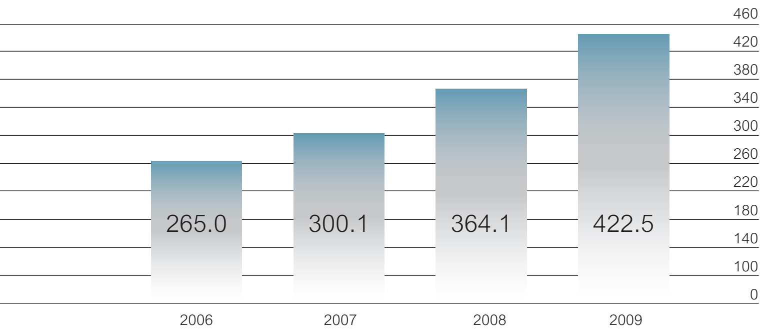
CANCOM is also conscious of its environmental responsibilities. Use of the latest technology at its headquarters makes for conservation of resources, reduction of CO_2 emissions, and a healthy indoor climate for employees. The use of state-of-the-art virtualisation solutions in CANCOM data centres saves energy and minimises environmental impact while increasing availability. CANCOM's use of advanced, intelligent systems enables energy and resources to be conserved; for instance, employees are allowed to work from home and video conferencing is used. The resulting reduction in travel by employees also leads to lower CO_2 emissions, in addition to benefits such as process optimisation and enormous cost savings.

2. Earnings, financial and assets position of the CANCOM Group

a) Earnings position

The sales revenues of the CANCOM Group rose by 16.1 percent over the financial year 2009, from € 364.1 million to € 422.5 million.

Sales revenues of the CANCOM Group, 2008 – 2009 (in € million)



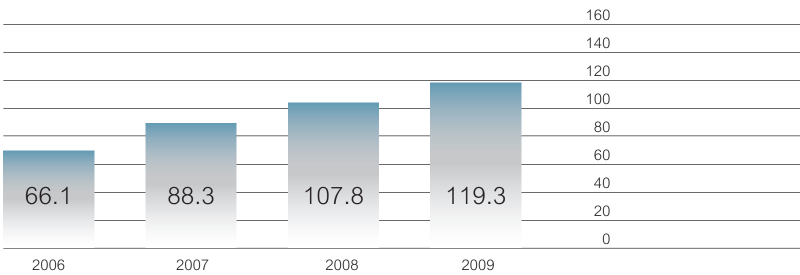
Sales revenues in Germany rose by 19.8 percent, from € 322.2 million to € 386.1 million. The growth is mainly owing to the acquisition of CANCOM SYSDAT GmbH and HOH Home of Hardware.

In international business, Group sales revenues fell by 13.3 percent to € 36.4 million. The general reluctance among companies to make IT investments because of the generally strained economic conditions following the financial crisis had a decisive impact on this result.

In the segment e-commerce/trade, sales revenues rose by 9.7 percent to € 217.0 million, compared with € 197.8 million in 2008. In the IT solutions business, sales revenues rose by 23.6 percent from € 166.3 million to € 205.5 million.

The Group's gross profit rose by 10.7 percent year-on-year, from € 107.8 million to € 119.3 million. The gross profit margin fell slightly year-on-year from 29.6 percent to 28.2 percent, as a result of the addition of the trading business of the e-commerce unit HOH Home of Hardware, which was acquired in December 2008.

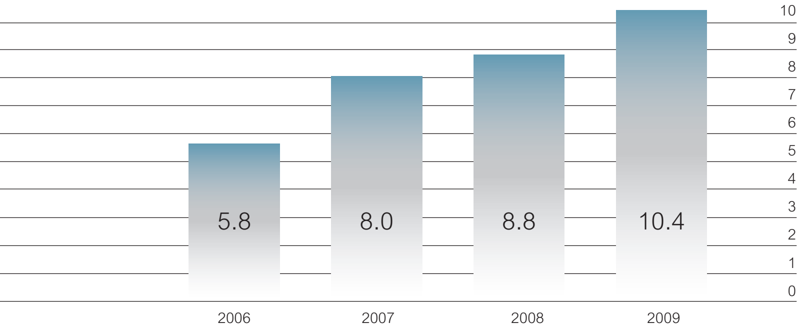
Gross profit of the CANCOM Group, 2008 – 2009 (in € million)



As a result of the acquisitions and the significant expansion of the Group's services activities, there was an exceptionally large increase in personnel expenses during the financial year, from € 73.0 million to € 82.8 million. Other operating expenditure stayed with € 26.1 million on previous year's level, despite of the first time consolidation of the in 2008 acquired companies.

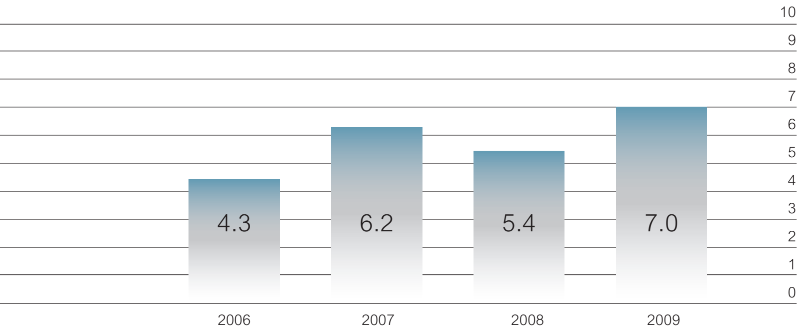
Consolidated earnings before interest, tax, depreciation and amortisation (EBITDA) rose by 18.2 percent from € 8.8 million to € 10.4 million.

EBITDA of the CANCOM Group 2008 – 2009 (in € million)



Consolidated earnings before interest and tax (EBIT) rose by 29.6 percent, from € 5.4 million to € 7.0 million.

EBIT of the CANCOM Group, 2008 – 2009 (in € million)



The consolidated profit for the year rose from € 2.7 million to € 5.1 million. This resulted in earnings per share of € 0.49, compared with € 0.27 in 2008.

The order position

In the e-commerce/trade segment and parts of the IT solutions segment, the majority of incoming orders are converted to sales within two weeks because of our large delivery capacity. Consequently, the reporting date figures on their own do not give a true picture of our order situation in this area of business, which is why they are not published.

In the IT solutions segment, orders are often given over long periods. At present, the volume of orders is rising slightly.

Because of the stable services business – which now accounts for about two thirds of the gross profits (total output less material costs and services rendered) – as well as the healthy condition of the balance sheet, the management feels the Group is in a strong position within the IT sector.

Explanations of individual items on the income statement

Further details on items in the income statement are given in the Notes to the consolidated income statement.

b) Financial and assets position

Objectives of financial management

The core objective of the financial management of the CANCOM Group is to safeguard its liquidity at all times, to ensure that day-to-day business activities can be continued. In addition, the Group aims to achieve optimum profitability as well as a high credit status to ensure favourable refinancing rates.

Notes on the capital structure

The current liabilities, amounting to € 67.5 million (2008: € 60.8 million), include the component of long-term debt which is due within a year, trade accounts payable, provisions and other current liabilities. The increase in current liabilities in comparison with 2008 is partly owing to an increase in trade accounts payable among the companies acquired, against which there was an increase in the volume of accounts receivable and cash.

The non-current liabilities, which amount to € 23.5 million (2008: 20.9 million) are liabilities with a residual term of at least one year.

In the financial year 2009 CANCOM IT Systeme Aktiengesellschaft received funds totalling € 4.8 million from the German publicly-owned development bank, KfW. It's ERP innovation promotional programme, which sponsors[both research and development measures (Programme Part 1) and the market introduction (Programme Part 2) of new products, systems and services. A conventional loan (Debt Capital Tranche) forms 50 percent of the funds, and the remaining 50 percent is a subordinated loan (Subordinated Tranche).

On 27 December 2007, CANCOM IT Systeme Aktiengesellschaft concluded a contract with Bayern Mezzaninekapital GmbH & Co. KG for the provision of mezzanine capital amounting to € 4,000,000. The capital was paid out on 31 December 2007. The mezzanine capital must be repaid in full by 31 December 2015. If the reported actual EBITDA earnings are equal to 50 percent or more of the planned EBITDA, the mezzanine capital provider will receive earnings-related commission charges of 1 percent per annum.

In 2005, the CANCOM Group had already participated in two Preferred Pooled Shares Programmes (PREPS) arranged by HypoVereinsbank. This is a financing product for medium-sized companies. PREPS is issued in the form of a profit-participation right, securitised via a special purpose vehicle (SPV) and subsequently refinanced via the capital markets. PREPS is a mezzanine instrument and as such it performs a bridging function between loan capital and equity capital. On the basis of the contractual arrangement (profit participation right), funds issued via PREPS are classifiable as subordinated and unsecured.

The financing structure was shifted in favour of long-term financing over the course of the year. Interest-bearing liabilities mainly consist of long-term loans, and amount to € 18.0 million (2008: € 16.6 million); short-term liabilities and the current component of long-term loans amount to a mere € 0.7 million (2008: € 1.8 million). On top of this, the liable equity capital was raised by retention of profits and the taking up of subordinated loans.
The nominal equity capital was increased significantly during the year to € 43.9 million through transfers to net profits. This resulted in a slight increase in the equity ratio to 32.5 percent.
On the assets side, current assets rose to € 93.2 million. The main reasons for this, apart from an increase in inventories, are a 41.3 percent increase in cash and cash equivalents to € 25.8 million and a 6.8 percent increase in trade accounts receivable to € 47.2 million. The latter is owing to the continued strong expansion of business activities in 2009.

Non-current assets increased to € 41.7 million. This increase is owing to a gain in property, plant and equipment and intangible assets through the acquisition of CANCOM SCC GmbH.

The balance sheet total rose to € 134.9 million, compared with € 120.7 million in 2008.

Further details of the individual balance sheet items can be found in the Notes to the consolidated balance sheet.

Notes on the changes in the cash flow
Owing to the expansion of the Group's business activities, the cash flow from operating activities amounted to € 10.7 million in 2009, compared with € 13.1 million in 2008. Mainly owing to the acquisitions referred to, there was a negative cash flow from investing activities of € 2.6 million, compared with a negative cash flow of € 1.2 million in 2008. The negative cash flow from financing activities was € 1.5 million, compared with a negative cash flow of € 4.5 million in 2008, and is mainly based on the interest paid. Overall, this gave rise to cash and cash equivalents of € 25.8 million, compared with € 18.9 million in 2008, mainly originating from operative business.

On balance, the earnings, financial and assets position of the Group improved further in the financial year 2009.

3. Earnings, financial and assets position of CANCOM IT Systeme Aktiengesellschaft

CANCOM IT Systeme Aktiengesellschaft performs the central financial and management role with regard to the equity investments held by the CANCOM Group. The risks of CANCOM IT Systeme Aktiengesellschaft are therefore the risks of its equity investments. These are commented on in detail in the section relating to the risks of future development.

CANCOM IT Systeme Aktiengesellschaft's sales revenues amounted to € 5.6 million in 2009, compared with € 5.2 million in 2008, and it made a net income for the year of € 3.8 million, compared with € 2.5 million in 2008.

The balance sheet total as at 31 December 2009 was 12.8 percent higher than in 2008, at € 64.3 million compared with € 57.0 million. The Company's equity rose by 11.1 percent, from € 35.2 million to € 39.1 million. Due to the raised balance sheet total the Company's equity ratio fell slightly to 60.7 percent, compared with 61.8 percent in 2008.

The share capital of CANCOM IT Systeme Aktiengesellschaft remained unchanged over the year 2009, at € 10,390,751 divided into 10,390,751 shares of € 1 each.

Cash and cash equivalents as at 31 December 2009 was higher than a year previously, at € 16.6 million compared with € 10.1 million. Net liquidity (cash less liabilities due to banks) amounts to € 10.4 million, compared with € 5.6 million in 2008.

Overall, CANCOM IT Systeme AG is in a continued positive assets position, the earnings and financial position of CANCOM IT Systeme AG has even improved further in the financial year.

4. Events of particular significance after the reporting date
On 11 February 2010, CANCOM SYSDAT GmbH was merged into CANCOM IT Solutions GmbH, Jettingen-Scheppach, Germany, with retroactive effect from 1 January 2010. The new unit trades under the style of CANCOM IT Solutions GmbH and transacts the solutions business of the CANCOM Group.

5. Disclosures in accordance with the German Takeover Directive Implementation Act (Übernahmerichtlinie-Umsetzungsgesetz, ÜbernRUmsG)

5.1. Share capital: amount and division
The share capital of CANCOM IT Systeme Aktiengesellschaft as at 31 December 2009 amounted to € 10,390,751 divided into 10,390,751 notional
no-par-value bearer shares. They are evidenced by global certificates, and the shareholders have no claim to the issue of physical individual share certificates.
Each notional no-par-value share bears a voting right for general meetings of shareholders. There are no preference shares. Nor are there any holders of shares with special rights that confer controlling powers.

When a capital increase is carried out, profit participation rights conferred by the new shares may deviate from the provisions of Section 60 of the German Stock Companies Act (Aktiengesetz, AktG).

In conformity with the articles of association, the Company's authorised share capital totalled € 4,000,000,00 as at 31 December 2009, and it was subdivided as follows:

The Executive Board is authorised by virtue of a resolution of the general meeting of shareholders held on 25 June 2008 to increase the share capital once or repeatedly by up to a total of € 1,000,000 by issuing up to 1,000,000 new notional no-par-value bearer shares against cash contributions. The capital increases must be carried out by 24 June 2013 and are subject to the approval of the Supervisory Board.
The Executive Board is authorised to rescind the shareholders' statutory subscription rights in the following cases, subject to the approval of the Supervisory Board:

aa) for fractional amounts; or

bb) if the capital increase is in exchange for cash and the proportion of the share capital accounted for by the new shares, for which subscription rights are excluded, is not greater than 10 percent of the share capital existing at the time the new shares are issued; and if the issue price of the new shares is not significantly lower than the stock market price of the shares of the same securities class and nature that are already quoted when the price is finally determined by the Executive Board, as laid down by Section 203, paragraphs 1 and 2, and Section 186, paragraph 3, sentence 4 of the German Stock Companies Act (Aktiengesetz, AktG). When the 10 percent threshold is calculated, the proportion of the share capital that is accounted for by new or repurchased shares that have been issued or sold since 25 June 2008 with the simplified exclusion of pre-emptive rights in line with Section 186, paragraph 3, sentence 4 of the German Stock Companies Act must be taken into account, as well as the proportion of the share capital relating to option and/or conversion rights or obligations from bonds which have been issued since 25 June 2008 in compliance with Section 186, paragraph 3, sentence 4 of the German Stock Companies Act.

The Executive Board and the Supervisory Board will decide on the nature of the relevant rights conferred by the shares and the other conditions of the share issue (Authorised Capital 2008/II).

In addition, on the basis of a resolution of the general meeting of shareholders held on 22 June 2005, the Executive Board is authorised to increase the share capital by a maximum of € 3,000,000 in one or more stages by issuing up to 3,000,000 new notional no-par-value bearer shares in exchange for cash contributions or contributions in kind. The capital increases require the approval of the Supervisory Board and must be carried out by 20 June 2010. Shareholders have been granted subscription rights which may be rescinded in the event of a capital increase through non-cash contributions in connection with the acquisition of an equity investment or of parts of other companies. The Executive Board is also authorised, subject to the agreement of the Supervisory Board, to exclude fractional amounts from the shareholders' subscription right; the Executive Board, with the agreement of the Supervisory Board, will decide on the nature of the relevant rights conferred by the shares and the other conditions of the share issue (Authorised Capital 2005/III).

In accordance with the articles of association, the conditional capital as at 31 December 2009 amounted to € 5,000,000, and is determined as follows:

The share capital is increased conditionally by up to € 5,000,000 through the issue of up to 5,000,000 new no-par-value shares. The conditional increase in capital will only be implemented to the extent that the holders of bonds, which the Executive and Supervisory Boards have been authorised to issue up to 24 June 2013 by resolution of the general meeting of 25 June 2008, exercise their conversion rights/obligations or their option rights. The new shares will be issued at an option exercise price or conversion price to be determined in accordance with the above resolution. The new shares will carry dividend rights from the beginning of the financial year for which, at the time of their issue, no resolution of the general meeting has been passed on the appropriation of the retained profit for the year. The Executive Board is authorised to determine the other details for the implementation of the conditional capital increase with the approval of the Supervisory Board.

The Executive Board did not exercise these powers in 2009.

The Executive Board is not aware of any restrictions on voting rights or on the transfer of shares.

5.2. Purchase of the Company's own shares

By resolution of CANCOM IT Systeme AG's general meeting of shareholders held on 24 June 2009, the Company is authorised up to 31 December 2010 to buy its own shares up to a value of € 1,000,000, or just under 10 percent of the share capital of € 10,390,751 as at 24 June 2009. The resolution is worded as follows:

a) The Company is authorised to purchase its own shares for the following purposes:

- to enable it to offer shares in the Company to third parties in connection with a business combination or in connection with the acquisition of a company or parts of a company or equity investments in a company;
- to enable it to offer and transfer shares to entitled parties in fulfilment of the Company's obligations from the issue of convertible bonds and/or option bonds, as authorised by the general meeting of shareholders of 25 June 2008;
- to call in the shares.

b) The authorisation is limited to the purchase of shares with a value not greater than € 1,000,000 i.e. less than 10 percent of the share capital of € 10,390,751 existing at 24 June 2009. At no time may the purchased shares, together with other shares held by the Company or that are attributable to it in accordance with Section 71 a ff of the German Stock Companies Act, account for more than 10 percent of the share capital. The authorisation may be exercised as a whole or in several tranches, within the above limits.

The authorisation is effective from 1 July 2009. It supersedes the resolution of the general meeting of shareholders of 25 June 2008 and remains effective until 31 December 2010. The authorisation of the general meeting of shareholders of 25 June 2008 ends when this new authorisation becomes effective.

c) The shares may only be purchased on the stock exchange.

The price per share paid by the Company (excluding incidental costs) may not exceed or undercut by more than 5 percent the opening price on the trading day in the Xetra trading system (or a comparable replacement system) operated by FWB Frankfurt Stock Exchange.

d) The Executive Board is authorised to use Company shares purchased on the basis of the above authorisation for all legally admissible purposes, and in particular:

aa) to offer and transfer them to third parties in connection with business combinations or the acquisition of companies, parts of companies or stakes in companies;

bb) to offer and transfer them to entitled parties in fulfilment of the Company's obligations from the issue of convertible bonds and/or option bonds as authorised by the general meeting of shareholders of 25 June 2008;

cc) to call in the shares without any need for a further resolution by a general meeting of shareholders.

The number of shares to be transferred in accordance with d) above, together with new shares that have been issued with no subscription rights in accordance with Section 186, paragraph 3, sentence 4 of the German Stock Companies Act since this authorisation was conferred, may not exceed a total of 10 percent of the share capital of the Company existing at the time the resolution was passed by the general meeting of shareholders.

e) The authorities under d) above may be used either as a whole or in several tranches. The price at which shares in the Company are used or sold in accordance with the authorisation in d) may not undercut by more than 5 percent the opening price either on the day of the admission to official listing in the Xetra trading system (or a comparable replacement system) operated by FWB Frankfurt Stock Exchange, or on the day that a binding agreement is made regarding business combinations, an acquisition of companies, stakes in companies or parts of companies, or a general sale.

f) Shareholders' subscription rights to the Company's own shares may be excluded if these shares are used in accordance with the authorities detailed in d) aa) to cc) above.

On 17 November 2009 the Company decided to buy back up to 400,000 of its own shares (equivalent to about 4 percent of the share capital) on the stock exchange on the basis of the resolution of CANCOM IT Systeme Aktiengesellschaft's general meeting of 24 June 2009.

The Company bought back 51,319 of its own shares in the financial year 2009. As at 31 December 2009, the Company's holding of its own shares was 51,319 (nominally valued at € 51,319) with a book value of € 164,602.01.

5.3 Direct or indirect equity participations of 10 percent or more

As at 31 December 2009, the Company did not know of any direct or indirect equity participations exceeding 10 percent of the voting rights.

5.4 Appointment and dismissal of members of the Executive Board

Sections 84 and 85 of the German Stock Companies Act (Aktiengesetz, AktG) apply to the appointment and dismissal of members of the Executive Board. The Supervisory Board decides on the number of members in the Executive Board.

5.5 Changes to the articles of association

Sections 133 and 179 of the German Stock Companies Act apply to changes to the articles of association.

5.6. Significant agreements entered into by CANCOM IT Systeme Aktiengesellschaft that are subject to alteration in the event of a change of control

The management contract of the CEO, Klaus Weinmann, contains a change-of-control clause. This states that, in the event of a change of control, the CEO may resign his current post as CEO and terminate his contract at six months' notice. In the event of his resignation, his emoluments would be paid by the Company for up to two years, but at the longest for the remainder of his term of office. Compensation for observing the changed restraint on competition would be deducted from the emoluments paid. A change of control would therefore bring with it a risk of the resignation of the CEO, combined with an extraordinary expense in the area of remuneration to the Executive Board in the year of his resignation.

6. Remuneration report

The remuneration report summarises the basic principles applied to setting the remuneration of the Executive Board of CANCOM IT Systeme Aktiengesellschaft, and explains the level and structure of Executive Board members' emoluments. The report also covers the remuneration of the Supervisory Board members. The remuneration report conforms to the recommendations of the German Act on the Disclosure of Management Board Remuneration (Vorstandsvergütungs-Offenlegungsgesetz, VorstOG).

6.1. Remuneration of the Executive Board

The Supervisory Board is responsible for determining the remuneration of Executive Board members. The remuneration depends, among other things, on the size of the Company, its financial situation and the level of remuneration of the executive boards of other, comparable companies. The tasks and the contribution of the relevant Executive Board member are also taken into account.

The remuneration of the Executive Board is performance-related. In 2009, Klaus Weinmann's remuneration consisted of a fixed payment, a variable bonus and a compensation of a pension commitment. Rudolf Hotter's remuneration consisted of a fixed payment and a variable bonus. Paul Holdschik's remuneration also consisted of a fixed payment and a variable bonus.

The fixed remuneration is paid as a monthly salary. Whether the variable bonus is paid, and how much is paid, depends on how well the CANCOM Group's target EBIT figure has been met in the relevant financial year.

The German Appropriateness of Management Board Remuneration Act (Gesetz zur Angemessenheit der Vorstandsvergütung, VorstAG) and the German Corporate Governance Code require that the variable components of management board remuneration be based on performance over several years, and that both good and poor performance be taken into account. The Supervisory Board will duly comply with the requirements of the Act and the German Corporate Governance Code with regard to future Executive Board remuneration when any Executive Board members' contracts are changed or new ones drawn up.

There was a pension commitment in relation to the CEO of CANCOM IT Systeme AG, Klaus Weinmann, documented in an agreement dated 16 March 1999 as well as in supplementary agreements and amendments.

In 2009 there were no pension provisions for the Executive Board (2008: € 119k). In its meeting of 10 December 2009, the Supervisory Board of CANCOM IT Systeme AG approved an agreement to cancel Klaus Weinmann's pension contract and to pay compensation. The Chairperson of the Supervisory Board was authorised to sign the agreement. The resulting agreement is effective from 31 December 2009, and provides for the termination of Mr Weinmann's pension commitment and payment of a lump sum in compensation for past services as well as a future monthly payment in consideration of future services. The amount of the settlement was calculated using actuarial mathematics. The compensation for the entitlements accrued for the period up to 31 December 2009 amounts to € 141,893 gross, and the corresponding amount net of taxes was paid to Mr Weinmann in the financial year 2009.

The following level of remuneration was set for the Executive Board members in the financial year 2009 (rounded figures):

The remuneration of the CEO, Klaus Weinmann, consists of a fixed payment of € 280k, an annual bonus of € 186k, the one-off compensation of € 142k for pension entitlements earned to date, and other remuneration components amounting to € 2k. His total remuneration, including the one-off compensation for pension entitlements earned to date – of which € 119k was earned in previous years – was € 610k. The remuneration of the other Executive Board members, Rudolf Hotter and Paul Holdschik, consists of a fixed payment of € 200k, an annual bonus of € 125k and other remuneration components amounting to € 4k. Altogether, their remuneration amounts to € 329k each. The total remuneration of the Executive Board for the financial year 2009 was € 1,268k.

6.2. Remuneration of the Supervisory Board

Each member of the Supervisory Board receives a fixed annual remuneration, which is set by the general meeting of shareholders and remains fixed until a general meeting of shareholders resolves on a change. In accordance with the articles of association, each member receives a payment of € 10k in addition to an attendance fee of € 750. The Chairperson receives double the amounts paid to other members. If a Supervisory Board member does not serve a full year, he/she receives the pro-rata remuneration for the period served.

The Company reimburses the Supervisory Board members with any expenses incurred that are directly connected with their position. Sales tax is reimbursed by the Company if the relevant Supervisory Board member is entitled to invoice separately for sales tax and exercises this entitlement.

The Supervisory Board members received the following remuneration in the financial year 2009 (rounded figures):

The remuneration of the Chairperson of the Supervisory Board, Walter von Szczytnicki, was € 26k, and that of the other Supervisory Board members as follows: Dr Klaus F Bauer € 13k, Stefan Kober € 13k, Hans-Jürgen Beck € 4.1k, Raymond Kober € 13k, Walter Krejci € 13k and Regina Weinmann € 7.3k. The total remuneration of the Supervisory Board in 2009 was € 89.3k.

6.3. Other notes

The Company has directors' and officers' insurance covering legal liability in relation to the activities of the Executive Board, the Supervisory Board and managerial employees.

Since 1 July 2007, a consultancy agreement has been in place between CANCOM IT Systeme Aktiengesellschaft and the Chairperson of its Supervisory Board, Walter von Szczytnicki. The contract was drawn up in accordance with Section 114 of the German Stock Companies Act (Aktiengesetz, AktG) and provides for an annual remuneration of € 60,000. Hence the remuneration paid in the financial year 2009 amounted to € 60,000.

On 27 June 2007, the Supervisory Board approved an M&A consultancy agreement with Auriga Corporate Finance GmbH, Munich, Germany on the occasion of the election to the Supervisory Board of CANCOM IT Systeme AG of Walter Krejci, managing director of Auriga Corporate Finance GmbH. The agreement had been signed on 7 March 2007 and required the approval of the Supervisory Board in accordance with Section 114 I of the German Stock Companies Act (Aktiengesetz, AktG). No payments were made to the company on the basis of the consultancy agreement in 2009.

7. Corporate governance declaration in compliance with Section 289a of the German Commercial Code (Handelsgesetzbuch, HGB)

Section 289a of the German Commercial Code was introduced when the German Act to Modernise Accounting Laws came into force on 29 May 2009 (Federal Law Gazette, 28 May 2009, Part I, No. 27, pp. 1,102 ff.). According to this Act, public limited companies have to publish a corporate governance declaration. CANCOM IT Systeme Aktiengesellschaft has made the declaration required by the Commercial Code available for its shareholders on the Company's website at www.cancom.de.

8. Risk report

Risks of future development

CANCOM's business operations in various fields of the IT sector throughout Europe expose it to risks that are directly associated with its business activities. Below is an overview of the risk management system and the risks classified as substantial.

CANCOM's risk policy is designed to identify as early as possible any risks that could endanger the future of the Company as a going concern, and/or substantial business risks, and deal with them in a responsible way. Of course, there are always risks associated with business opportunities. It is therefore CANCOM's aim to increase the value of the Company for our shareholders by means of an optimal balance between the risks and opportunities. There are various risks that could have a considerable negative effect on the development of CANCOM's business and thus also on its financial position and results.

To identify risks and ensure that the risk control system is adequate, the Executive Board has formulated risk principles and engaged a central risk officer to monitor, measure and, where appropriate, control risks.

As part of CANCOM's risk analysis procedure, risks are regularly classified and valued according to the probability of their occurrence and their severity, and the information is then arranged in a risk matrix. All these risks are assigned to a specific person who takes responsibility for them. If the risks can be reasonably controlled through quantifiable values, appropriately defined values are used to assess them. If no precisely definable values can be found, they are assessed by the person responsible.

For risks to the Company as a going concern, the system for early identification of risks includes the defining of early warning indicators. Changes or trends in these are continually monitored and discussed in risk management meetings. The regular risk management meetings between the Executive Board and the risk officer ensure permanent and timely control of existing and future risks.

Additionally, this provides the best possible guarantee that the Executive Board and the Supervisory Board are informed in good time of any possible major risks.

In addition to the risk factors mentioned below, CANCOM may be exposed to other risks which are not yet known, or that are currently felt to be insignificant, which could be equally damaging to business.

External business risks

CANCOM's business activities throughout Europe expose it to tough competition in the various national sales markets as far as its range of products and services is concerned. Furthermore, the IT sector is characterised by fast and frequent changes, which means that new trends might be identified too late or interpreted wrongly. There is also a risk of a slump in the market or a downturn in growth – not only as a result of the economic crisis – which is generally associated with a fall in incoming orders and may lead to increased competitive pressure. Any decline caused by a downturn in the economy, as in the past year, could also bring with it opportunities for the Company which are described in the opportunities report.

There is also a risk from dependence on individual large customers. Because of its market positioning, CANCOM has a broad customer base. However, the success of the IT solutions business normally depends on a few large customers.

The CANCOM Group's largest customer by far is the Siemens Group, particularly Siemens AG. A significant reduction in orders from companies in the Siemens Group could have a considerable negative impact on the sales and results of the CANCOM Group. The risk from dependence on the Siemens Group is therefore classified as considerable.

In order to counter the risk from dependence on individual large customers in general, CANCOM is continuously expanding its direct sales in the IT solutions business, which will gradually broaden the customer base in this area.

Both in its investments and in its acquisition of companies or parts of companies, CANCOM sometimes ventures into business fields that are new to it. There is a risk that these business fields might not perform as well as anticipated. We attempt to reduce this risk by focusing on our core business. Our longstanding and sound knowledge of the market situation benefits us in this respect. However, exposure of our assets, financial position and earnings to consequential risks from new business fields cannot be ruled out.

Supplier risk

CANCOM relies heavily on its manufacturers and/or distributors for its supply of hardware and software. Unexpected supply bottlenecks or price rises – as a result of shortages on the market, for example – can be detrimental to our sales revenues and our results, since our merchandise inventories at the logistics centres are of a short-term nature for reasons relating to optimisation. We try to reduce these risks by keeping in close contact with major manufacturers and signing long-term supply contracts. In particular, our broad base of manufacturers and distributors enables us to resort to alternative manufacturers or sources at relatively short notice.

Internal business risks

The CANCOM Group's value chain covers all steps in its activities, from marketing, advice, distribution and logistics to training, service and maintenance. Disruptions within or between these areas could lead to problems, and possibly bring work processes in individual, or several, areas to a temporary standstill. In addition there is the risk of problems with quality, particularly in the IT solutions area, where advice is a major element of the service offered.

Furthermore, the Company's rapid growth entails the risk that our administrative structures, as well as our organisational structures and processes, cannot be adapted at the same rate and that the control of the Group as a whole will suffer as a result. A high level of risk control is ensured by experienced employees, tried and trusted administration and controlling systems and the risk management system, which is continually adapted to reflect the latest developments and requirements.

Personnel risks

The loss of key personnel in the Company, on whose knowledge and familiarity CANCOM's success depends, constitutes a further short-term risk. CANCOM therefore applies various measures to encourage the long-term commitment of its employees. We have also set appropriate rules on deputising, particularly in sensitive areas, so that any negative consequences due to the unexpected absence of an employee are minimised.

Information technology risks

The success and functioning capacity of a company depends to a considerable degree on its IT equipment. There are fundamental information technology risks from operating computer-assisted databases as well as the use of systems for merchandise management, e-commerce, controlling and financial accounting. The temperamental nature of these IT systems means they are susceptible to failure which, in extreme circumstances, could bring working processes to a standstill and thus jeopardise the Company's continued existence. For instance, the Company's ability to supply merchandise might be at risk if the functioning of the IT systems necessary for trouble-free order processing is no longer safeguarded. CANCOM is aware of this risk, and therefore makes every effort to minimise it. However, despite our due diligence, the above negative consequences cannot be completely ruled out.

Financial risks

- Liquidity and counterparty risks

A downturn in the cash situation of a company can bring with it considerable risks, which could even endanger the future of the company as a going concern. At the reporting date, CANCOM was in a good cash position and had sufficient short-term credit facilities and guarantees from banks, totalling € 12.9 million. Of this amount, € 11.6 million was easily available, including guarantees. Of course, the Company regularly monitors the trend in the credit facilities and looks at the extent to which they have been used. In addition to the medium-term financial plan, the Group also prepares a monthly cash flow plan. All consolidated companies are now included in the planning system.

An adequate credit rating is essential for the procurement of borrowed capital, especially bank loans, and thus for the Company's long-term existence. Any marked deterioration in the credit rating therefore constitutes a significant risk for the Company's continued existence.

Since the equity ratio (calculated according to the method used by banks) is a decisive criterion for the granting of bank loans, it is monitored regularly so that prompt corrective action can be taken if necessary.

The Company does not currently see any financing risks or other risks that could jeopardise its continued existence. CANCOM IT Systeme AG is mainly financed by long-term loans, particularly subordinated loans. The fact that the German publicly-owned development bank KfW granted funding under the ERP innovation promotional programme in August 2009 demonstrates CANCOM IT Systeme AG's continued good access to the financial market.

• Default risks

Default on payment by customers constitutes a latent risk. In extreme cases, bad debts could cumulatively endanger a Company's continued existence. In order to hedge against this risk, CANCOM's customer deliveries are generally only carried out after a credit check has been made. The risk of bad debt losses is increased by the continuing financial market crisis. In view of this, the internal guidelines for credit insurance and for the issuing of credit limits have been tightened up, with regard to both the limits granted and the employees authorised to approve them.

• Price risks

The majority of goods stored at our logistics centres are state-of-the-art hardware and software products which are subject to rapid depreciation in value because of the traditionally very short product life cycles in the IT sector. CANCOM attempts to counter the ensuing risk of inventory value depreciation with the assistance of a catalogue of measures, which is continually revised.

These measures include monthly stocktaking and revaluation of inventories. In addition, as part of a product range analysis, sales statistics are automatically drawn up. The statistics include information on inventory depreciation, in order to minimise the risk of unexpectedly high depreciation of inventories.
CANCOM has also agreed a 30-day right of return for inventory goods with its main suppliers.

• Risks associated with cash flow fluctuations

The CANCOM Group's international business operations generate cash flows in different currencies. However, the majority of transactions are conducted in the eurozone, which limits the currency risk.

In 2006 a loan was raised in Swiss francs. As at 31 December 2009, the loan balance was CHF 1.0 million.

Cash pooling within the Group reduces the volume of financing through borrowed capital and thus optimises the CANCOM Group's interest management, with positive effects on the net interest income. The Group derives internal advantages relating to cash investments and borrowing from the cash management system. It enables the internal utilisation of the surplus funds of Group companies to finance the cash requirements of other Group companies. Nevertheless, a significant decline in the value of the euro against other currencies could give rise to considerable currency losses.

• Interest risks

Apart from overdraft facilities, CANCOM IT Systeme AG has only fixed-interest loans or loans subject to a quantifiable interest rate change calculated on the basis of the Company's results.

• Financial market risks

CANCOM IT Systeme AG's risk manual was reviewed in 2009 to incorporate any risks arising from the financial market crisis and its consequences. A major objective of the Company is to acquire, hold and sell equity investments in companies, as well as to carry out activities connected with raising capital.

Dealing in financial instruments and structured products is not a core business of the Company, and is only used – if at all – as a means of safeguarding sound underlying transactions, such as currency hedging. At the balance sheet date CANCOM IT Systeme AG did not hold any securities or structured products, with the exception of trust assets for old-age pensions and its own shares.

Authorisation for the purchase and sale of structured products from or to banks is restricted to the Executive Board and the Finance Director, and the cross-checking principle must be followed. No inexperienced person can carry out transactions of this kind.

Legal risks

The business of the CANCOM Group could be damaged by current or future legal disputes. In as much as CANCOM is involved in legal disputes in the context of its ordinary business activity, any expected effects on the consolidated profit are adequately covered, following cautious legal assessment.

The main features of the internal control system and the risk management system with regard to the Group accounting process are as follows:

- CANCOM IT Systeme AG has a clear management and corporate structure, in addition to a schedule of responsibilities. Cross-departmental key functions are centrally controlled by CANCOM IT Systeme AG.
- The functions of the departments which are mainly involved in the accounting process are clearly divided. The areas of responsibility are distinctly allocated.
- Integrity and responsibility in regard to finances and financial reporting are safeguarded by a commitment made to this effect in the Company's internal code of conduct.
- Appropriate facilities are in place in the EDP department to protect CANCOM's financial systems against unauthorised access. Where possible, standard software is used in the financial systems.
- An appropriate system of guidelines (for example accounting, payment and travel cost guidelines etc.) is in place, and these are continuously updated. The main assets of all the companies are regularly tested for impairment, and there is a manual for the checking of all accounting-related processes.
- Departments and divisions involved in the accounting process are appropriately equipped in terms of quantity and quality.
- Accounting data received and passed on are continuously checked to ensure they are complete and correct. Spot checks are regularly carried out. The software used automatically initiates plausibility checks, e.g. for payment runs. Tests are carried out at regular intervals; there is also a three-stage system for checking the correctness of financial statements. First, single-entity financial statements are generated by the financial accounting department. In a second control stage, Group accounts are prepared and consolidated figures produced; and in the third stage a review is carried out by Financial Management.
- All accounting-related processes are subject to cross-checking.
- All accounting-related processes are inspected by the in-house audit department, which is independent of these processes.
- The risk management system has appropriate measures for the control of accounting-related processes.

Explanation of the main features of the internal control system and the risk management system with regard to the accounting process

The internal control and risk management system with regard to the accounting process, the main features of which have been described above, ensures that Company data are always correctly recorded, processed and acknowledged in the balance sheet and included in the financial statements.

A proper, consistent and continuous accounting process is dependent on skilled and qualified personnel, appropriate software as well as clear legal and corporate guidelines. A well-defined demarcation of responsibilities and various controlling and checking mechanisms, as described above (especially plausibility checks and cross-checking), ensure that accounting is carried out correctly and responsibly.

In particular, the process entails recording, processing and documenting business transactions and entering them immediately and correctly in the accounts in compliance with the legal requirements, the articles of association and the corporate guidelines. At the same time it is ensured that assets and liabilities in the individual and consolidated financial statements are accurately estimated, reported and valued, and that comprehensive, reliable and relevant information is provided quickly.

8. Opportunities report

Opportunities of future development

CANCOM's business activities throughout Europe in various fields of the IT sector offer many opportunities.

Below is an overview of the potential opportunities offered by future development.

Increase in sales revenues and profits resulting from expansion of existing business activities

The acquisition of the BÜROTEX integrated systems providers by the CANCOM Group strengthens its position in the German integrated systems provider environment. Because the portfolios complement each other, especially in the solutions and services business and in terms of their regional structure, CANCOM will be able to expand further its service network, so strengthening its local presence in southern Germany and particularly in the German federal state of Baden-Württemberg.

CANCOM's business policy provides for the continuation of its path of growth. For this purpose it plans to bundle and strengthen its existing business activities, moving further towards high-end integrated ITC solutions, where the focus is on high value, and also towards e-commerce – in other words economical and quick product procurement – where the focus is on volume. This will be achieved both through organic growth and by means of acquisitions.

This will create an opportunity for a further increase in sales revenues. Taking advantage of synergy effects and economies of scale, for example improved purchase terms, better access to major projects, and centralised administrative tasks, can contribute to an accelerated growth in profits. Additionally, the planned expansion of the services business could lessen the impact of a downward trend in the price of hardware.

Opportunities during the financial crisis and in the looming general economic recovery

Market research institutions are largely in agreement that 2010 will be better than 2009, but there are still hard times ahead. It is therefore important for companies to adjust to the new post-crisis circumstances in the year 2010, so preserving their capacity for innovation. IT can help with the necessary restructuring measures. It is all the more important to invest in IT after the cost reduction measures in 2009. At the same time the trend towards cost-saving IT solutions and services continues.

Additionally, a continuation of the economic crisis will reinforce the consolidation process in individual industries. With increasing takeover activities and subsequent IT restructuring, as well as the provision of public funding by the German government under its second economic stimulus package for public sector IT infrastructure projects, the market is being given an additional impetus from which CANCOM should also profit.

In particular companies' increasing requirements for IT and IT infrastructure – for instance to improve monitoring of compliance with the Basel II guidelines on the granting of loans – could boost the demand for hardware, software and services.

The German IT sector organisation BITKOM and the US market research company IDC have identified what they see as the most important IT trends of the future. They feel that cloud computing and cloud services, which give IT users access to external storage space, processing capacity and different applications via the internet, offer great potential for companies to save money.

For the same reason, demand is rising for usage-based pricing and for lease and rental schemes such as software as a service (SaaS).

Service outsourcing and managed services for IT systems or particular business processes remain the major issues in 2010. Partial or total outsourcing of IT enables companies to adapt costs, so that IT expenditure only affects operating costs, and investments in IT do not tie up capital. For CANCOM, this business segment not only offers attractive growth prospects, but also with longer contract periods it reduces dependence on economic trends and makes business development easier to plan. Moreover the projects promise higher margins than orders in the conventional trading business. According to BITKOM, sales revenues from outsourcing services in Germany will rise by 7 percent to € 15.4 billion in 2010.

Virtualisation and consolidation solutions offer effective instruments for reducing IT costs. According to BITKOM, the central, comprehensive use of IT resources, including the sharing of whole data centres, will continue to be another driver of IT investments. With its professional solutions in the field of centralisation, consolidation and virtualisation, CANCOM is meeting the increasing demand for integrated systems landscapes, ensuring business continuity and improving the IT efficiency of its customers.

Both on a national and an international level, issues such as environmental protection, energy efficiency and sustainability affect the business policy. This includes green IT, the environmentally-friendly and resource-conserving use of information and communication technology, as well as e-energy, the optimisation of electricity supply with the help of intelligent electricity networks (smart grids). The advantages of green IT solutions, according to BITKOM, include not only environmental considerations, but considerable potential for savings on a company's energy costs. In order to take advantage of the opportunities this presents, CANCOM offers an innovative range of low-emission, energy-efficient IT solutions and products, so combining economy, quality and environmental protection.

Cost and sales pressure is leading to a growing need for flexibility among companies, and increasing the demand for infrastructure for the mobile use of IT applications. BITKOM expects sales revenues from mobile data services to grow by approximately 8 percent to € 5.6 billion. Because of this, but also due to the outsourcing of operational processes, data protection and data security requirements are also rising, and therefore also the demand for security solutions. Experton Group, a German market research and consultancy company, forecasts that sales revenues in the German IT security market will grow by 7 percent to € 4.4 billion in 2010.

CANCOM combines about two decades of experience in IT consultancy and integration with innovation services; it gives independent advice and creates economical and technically optimised system infrastructures. CANCOM employees have several years of project experience and have been certified by major manufacturers for the latest technologies.

With its portfolio of services, CANCOM is positioned in the trend business areas referred to by BITKOM. Specialist sales staff support specialisations in specific IT segments by providing dedicated technical expertise. The specific expertise of the specialist sales staff is available to the sales and service units of all CANCOM companies.

CANCOM's concepts and solutions help their customers to obtain a full return on IT investments within a short time. They include the integration of new technologies and procedures in order to ensure that business-crucial applications can continue operating without interruption, as well as offering customers business flexibility and helping them set up adaptable companies in which business processes and IT are in step with each other.

With a comprehensive range of ITC services and about 1,200 highly skilled and qualified employees in its services business (professional service), CANCOM offers IT solutions and managed services tailored to individual needs.

The value-added provided to customers by CANCOM's services and IT solutions portfolio bring benefits not only for customers, but also for CANCOM itself, particularly in a difficult market situation.

In the trading business, there are great opportunities in e-commerce. US market research company Forrester forecasts huge growth in e-trade over the next few years. According to Forrester, the factors responsible for the success of online distribution channels are limited shop opening times and a large number of broadband connections, combined with wider experience of internet transactions among consumers and greater confidence in online security. Also, the constantly high price-consciousness among both private and business customers contributes to the continuing strong growth in online purchases.

The German E-Commerce and Distance Selling Trade Association - bvh (November 2009) and the Allensbach computer and technology analysis - ACTA 2009 by the Allensbach Institute for Public Opinion Research (November 2009) have both announced independently of each other that they expect a sustained upward trend in e-commerce in Germany.

Through its unit HOH Home of Hardware GmbH (www.hoh.de), CANCOM has an efficient e-commerce model and so is in a position to benefit greatly from this trend.

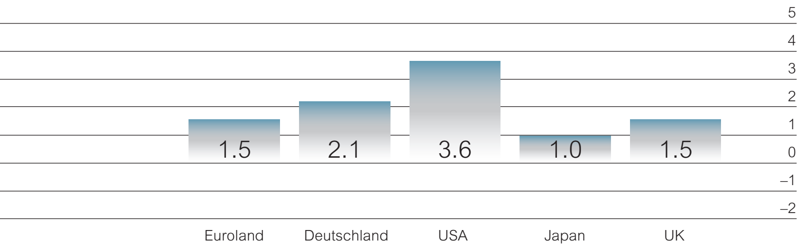
9. Forecast

It is hard to predict how the economy will perform in the near future. In the middle of the economic crisis and immediately after it, to some extent, there is great variation in the forecasts for economic growth. The forecasts for economic growth for 2010 range between 1.4 percent* and 2.1 percent**.

* Forecast: German Federal Government, January 2010
**Forecast: German Institute for Economic Research (DIW), January 2010

Gross domestic product in 2010*

(real change compared with 2009 as a percentage)



* Forecast: Deutsche Bank Research Bureau, Frankfurt, Germany, 21 January 2010

According to the latest market figures from the German IT sector organisation BITKOM, experts expect the western European IT market to slightly grow again by around 1.0 percent in 2010, following the decline of 2.6 percent in 2009.

Growth of 2.5 percent is forecast for IT services, compared with a decline of 0.2 percent in 2009. The software segment is expected to grow by 0.5 percent, after a decline of 3.2 percent in 2009, and the hardware segment is expected to shrink by only 1.5 percent, following a decline of 6.5 percent in 2009.

IT research specialists IDC have similar expectations. In a study published in October 2009 its experts predict growth of 1.8 percent in the IT services segment in 2010. However, they forecast that in the medium term the market for IT services will grow by an average of 2.8 percent per annum over the period covered, from 2008 to 2013.

The reasons for the growth forecast for the IT services segment, according to IDC, are increased cost-consciousness among companies and the improved general economic outlook for the current year. Once confidence in the economic recovery becomes established, companies will conclude more medium and long-term outsourcing contracts again.

The U.S. market research company Forrester sees huge potential for growth in the e-commerce segment for the next few years, with annual growth rates of 7 percent, while it expects the consumer electronics segment to grow by as much as 13 percent. BITKOM's assessment is in line with Forrester's.

In view of the opportunities for future growth in e-commerce, CANCOM is expanding its activities in the area of e-procurement and customised shops. Customised shops are web-based shops containing a fixed, individual product range. They offer customers the advantage of ensuring that the infrastructure will be consistent for all orders. This in turn offers CANCOM the opportunity for sustained strengthening of customer loyalty.

CANCOM geared its business policy to these future trends at an early stage and designed its sales and services structure around them. In order to take advantage of the trends and efficiently translate them into solutions for customers, CANCOM has set aside an annual budget of just under € 700k for the professional training and certification of its employees. CANCOM is also building on strong, close partnerships with the manufacturers of leading technologies.

Individual finance schemes such as leasing complement the technologies offered by CANCOM. Leasing offers give customers an opportunity to implement important projects at reasonable prices. At the same time, this financing alternative encourages long-term customer loyalty and helps to attract new customers. Because of the growing customer demand, the Executive Board see increasing potential in the business of alternative financing facilities for procurement of information and telecommunications technology. For this reason, it increased its shareholding in CANCOM Financial Services GmbH to 100 percent in December 2009.

CANCOM has expanded its market presence as well as improving its customer proximity in the German-speaking countries, and is represented all over Germany and Austria by its many service and consulting locations. CANCOM plans to continue to strengthen its market position in the IT environment in German-speaking countries by means of targeted acquisitions. The current market environment continues to offer favourable conditions for this policy, since several small, mostly owner-managed, integrated systems providers and IT service providers are looking for prospective buyers.

CANCOM aims to make improvements to its quality management, for instance by steadily improving customer satisfaction and the efficiency of certain business and work processes. The introduction of Microsoft® ERP system Dynamics AX™ in July 2007 has brought with it a multitude of new opportunities with regard to the supply chain, such as delivery directly from Distribution to the customer, and the significant improvement in e-procurement.

When HOH Home of Hardware GmbH was relocated from Westendorf, Germany, to CANCOM's headquarters at Jettingen-Scheppach, Germany, in September 2009, the warehouse was also centralised at this location. Overall, the improvement and streamlining of logistics processes, and the concentration of administrative tasks at the Company headquarters, should result in significant cost savings. By cross-selling and by taking advantage of synergy effects and best practices, costs will be reduced and resources gathered, so that CANCOM can operate even more competitively in the market in the future. The resulting benefits will bring added value to CANCOM and to its customers and business partners.

However, our planned strategic orientation also carries risks with it. For instance, acquisitions may not develop as positively as expected, and have a negative impact on CANCOM's business development. An unexpected worsening of general economic conditions could also have a significant negative impact on future business prospects.

The financial situation was improved further in the financial year 2009. Sales revenues and operating profit were both up on 2008, and exceeded the previous year's results forecast.

In view of the acquisitions and the positive business development as well as the improved economic conditions in 2010 and 2011, the Executive Board generally expects a future growth in sales revenues and result with a continued positive financial situation. CANCOM's plans are consolidated sales revenues of € 500 million (financial year 2010) and € 530 million (financial year 2011), consolidated EBITDA of € 11.6 million (financial year 2010) and € 13.1 million (financial year 2011) and earnings per share up to at least € 0.50 in 2010 and € 0.60 in 2011.

The Executive Board advises that the actual results may differ significantly from the expectations about future developments. Forecasting is made considerably more complicated by the uncertain economic climate.

Jettingen-Scheppach, Germany, 9 March 2010

Klaus Weinmann Paul Holdschik Rudolf Hotter

Executive Board of CANCOM IT Systeme Aktiengesellschaft

This document contains statements and information about the future that are based on the assumptions and estimates of the Executive Board of CANCOM IT Systeme Aktiengesellschaft. These statements are identifiable by words and phrases such as "plan", "intend", "wish" "will", "expect", "we feel" etc. and are based on current expectations, assumptions and assessments. Although we feel that these expectations are realistic, we cannot guarantee their correctness. The assumptions may be subject to several internal and external risks and uncertainties, which may lead to the actual results deviating considerably, either positively or negatively, from the situations and figures forecast. The following influencing factors are relevant in this respect: changes in the general economic and business situation; changes in interest rates and foreign currency exchange rates; changes in the competitive situation, for instance by the emergence of new competitors, new products and services or new technologies; changes in the consumer habits of target customer groups etc.; and changes to the business strategy.
CANCOM does not plan to update its forecasts beyond the legal requirements, nor does it make any commitment to do so.

Report of the Supervisory Board

Report of the Supervisory Board

Dear Shareholders,

The year 2009 was shaped by the economic crisis, which has been the biggest since the Second World War. We held our ground well and had a successful year. Our sales revenues amounted to more than € 422 million – yet another record figure for the Company, which is now 18 years old. If stock exchange prices – which reached their low point in March 2009 and have risen significantly since then – are any sign of the future performance of the real economy, we could make exceptionally high profits in 2010, even with only slight improvements in margins.

Because of the crisis on the financial markets, the dominant topics in the meetings of the Supervisory Board were the CANCOM Group's risk management system and, in the December meeting, the takeover of the integrated systems providers of the Bürotex Group, based in the Stuttgart area of Germany. With more than 200 employees and sales revenues of approximately € 55 million in 2009, the Bürotex Group is one of the 25 largest integrated systems providers, and is an ideal complement to CANCOM's locations in Stuttgart, Jettingen-Scheppach and Munich. CANCOM is now represented all over the country in Germany and Austria and can provide its customers in these locations with its full portfolio of services and products as well guaranteeing comprehensive, swift-response customer support.

The dividend policy of the Company was discussed again at length. Since the Company has reported good profits despite the continuing financial market crisis because of the high proportion of income now derived from services, the management has decided to propose the payment of a modest dividend of € 0.15 per share to the shareholders at their general meeting, which would not have any negative impact on further growth by acquisitions.

General notes on the work of the Supervisory Board

As part of their usual close collaboration, the Executive Board and the Supervisory Board had meetings together on 18 March, 24 June, 30 September and 10 December 2009. The Executive Board also kept the Supervisory Board regularly informed of any events soon after they occurred, through comprehensive written reports and face-to-face discussions. Consequently, the Supervisory Board was always up-to-date regarding the Company's situation and its prospects for the future, the principles of Company policy, the Company's profitability and all other important business matters. Moreover the Chairperson of the Supervisory Board was regularly advised on relevant developments and involved in important decisions. When necessary, resolutions were passed in writing.

The Supervisory Board oversaw the activities of the Executive Board on a regular basis, as required by German law and the articles of association, and also asked for reports outside meetings, where necessary. The Supervisory Board was consulted in decisions of fundamental importance. No committees were formed. There was no conflict of interest between the members of the Supervisory Board.

The main focus of the Supervisory Board's work

The financial crisis pushed the Company's risk management policy to the foreground in 2009. The performance of the individual companies within the Group was analysed and monitored more closely than before. Precautionary measures to reduce costs, such as the introduction of short working hours among some of the employees, were discussed and appropriate steps taken. In order to avoid bad debts among customers, credit rating processes were more clearly defined and responsibilities more closely delineated.

A further result of the economic crisis has been the acceleration of the consolidation process in the German integrated systems provider segment, in which we plan to take an active part. This led to discussions about the Group's strategic orientation and consideration of potential takeover candidates, which culminated in the acquisition of the Bürotex integrated systems providers. This and the increasingly important subject of compliance are reflected in the work of the Supervisory Board.

In each of the four regular meetings, the Supervisory Board received reports from the Executive Board on the following subjects and discussed them in depth:

- report on the market and competition;
- report of the Executive Board in accordance with Section 90, paragraph 1, no. 2 and no. 3 of the German Stock Companies Act (Aktiengesetz, AktG) on the course of business, including presentation of the current monthly reports of CANCOM IT Systeme AG and the CANCOM Group;
- report of the Executive Board in accordance with Section 90, paragraph 1, no. 4 of the above Act, particularly on planned acquisitions and divestments.

In addition, the following topics and resolutions relating to the activities of the Supervisory Board are particularly noteworthy:

- Revised rules on fees for the members of the Executive Board were approved by a resolution passed in writing in January 2009.
- Risk management was the main subject of the regular meeting in March, in which the annual financial statements of CANCOM IT Systeme AG and the CANCOM Group were approved. In this meeting the Supervisory Board agreed a merger of CANCOM IT Solutions GmbH and CANCOM SYSDAT GmbH, which has not been completed in 2009. On behalf of all Supervisory Board members, tribute was paid to our colleague Hans-Jürgen Beck, who had announced his resignation.
- In the meeting on 24 June 2009, immediately after the general meeting of shareholders, the Supervisory Board approved the acquisition of the remaining shares in Home of Hardware GmbH & Co. KG, as well as investments in fixed assets requiring approval, and the raising of a loan of up to € 5 million with KfW, the German publicly-owned development bank, under their capital for labour and investment scheme and/or their ERP innovation promotional programme. The Executive Board was also authorised to issue letters of comfort to manufacturers and banks to provide security for business commitments to Group companies up to a total annual volume of up to € 10 million.
- The main focuses of the meeting in September were credit risk management and the German Appropriateness of Management Board Remuneration Act (Gesetz zur Angemessenheit der Vorstandsvergütung, VorstAG). Physical cash pooling was approved between the holder of the master account, CANCOM IT Systeme AG, and its subsidiaries CANCOM a + d it solutions GmbH and CANCOM SYSDAT GmbH.
- In the December meeting, the Executive Board gave a comprehensive presentation of the planned business policy and other fundamental matters of corporate planning. The plan takes into account the uncertainty as to how the general economic situation will develop. Despite this uncertainty, the Supervisory Board is unanimous in its view that the Group's trading and services activities should continue to be expanded, both organically and through acquisitions. The report was acknowledged, and the business plan for 2010 was approved. In line with one of the recommendations of the Corporate Governance Code, the Supervisory Board undertook an appraisal of its own efficiency, and no improvement was deemed necessary. It also discussed the latest changes to the Corporate Governance Code in terms of their reasonableness and applicability, and agreed the declaration of conformity with the Code. CANCOM conforms to the Code in all but five of its recommendations. The Supervisory Board also approved the acquisition of the integrated systems providers of the Bürotex group and agreed to continue the operation of CANCOM Ltd. in the UK. Finally, it agreed to propose to the general meeting of shareholders that a dividend of € 0.15 per share be paid to shareholders.

Annual financial statements approved

The annual financial statements prepared by the Executive Board for CANCOM IT Systeme AG and the Group for the year ended 31 December 2009, and the combined management report for the Group and the Company, were available for examination at the Supervisory Board's meeting to approve the balance sheet on 10 March 2010. The financial statements were audited and the management reports examined by the auditing firm appointed by the shareholders at their general meeting, S&P GmbH Wirtschaftsprüfungsgesellschaft, Augsburg, Germany. The auditor gave his unqualified approval to all the financial statements. He was present at the meeting to approve the balance sheet on 10 March 2010, at which the annual financial statements of the Company and the Group were discussed. He gave a comprehensive report on the audit process and the major findings, and he was able to provide additional information as needed. After discussing the audit reports, financial statements and management reports at length, the Supervisory Board had no objections to raise. It approved the annual financial statements prepared by the Executive Board, in accordance with Section 172 of the German Stock Companies Act (Aktiengesetz, AktG).

Acknowledgements

The Executive Board faced the economic crisis by taking appropriate steps in good time, yet provided for the Company's continued strategic development by acquiring the integrated systems providers of the Bürotex group. As a result, the Company achieved excellent figures for 2009 and can look forward to continued growth in the future.

The members of the Supervisory Board would like to congratulate the Executive Board on this achievement, and at the same time to thank its members for their reliable and constructive work in the financial year 2009.

Without the skill and the outstanding commitment of CANCOM's employees, as well as their readiness to make a contribution to help the Company out of the economic crisis, this success would not have been possible. We therefore owe them our particular thanks.

We also thank the shareholders for the confidence they have shown in CANCOM.

Jettingen-Scheppach, Germany, March 2010

Corporate Governance at CANCOM

Joint report of the Supervisory and Executive Boards

1. General
Effective and responsible corporate governance is traditionally a significant aspect of CANCOM's corporate culture. The Executive Board and the Supervisory Board work in close cooperation for the benefit of the Company. Continual, intensive dialogue between the two bodies is the basis for efficient company management at CANCOM. This two-way communication process has gradually been consolidated and improved, taking German and international standards into account.

CANCOM therefore welcomes and supports the German Corporate Governance Code, which was published in 2002 and amended most recently in 2009. The Company follows the recommendations made in the current version of the Code with only five exceptions. On 10 December 2009, the Executive Board and the Supervisory Board discussed in depth CANCOM's compliance with the standards set by the Code, especially the new requirements published on 18 June 2009. These discussions resulted in the approval of the declaration of conformity published on page 34 of this report. The declaration is also published on our website and is updated to reflect any changes.

CANCOM is conscious not only of its business responsibilities, but also of its social responsibilities. In order to underline this position, in the autumn of 2005 the Company adopted a code of conduct covering its dealings with employees, customers, suppliers, manufacturers, other business partners and authorities.

As stated in its introduction, the code of conduct reflects the Executive Board's aim of strengthening ethical standards throughout the Company and creating a working environment based on integrity, respect and fair dealing. In line with the motto Fairness first, employees at all levels are enjoined to abide by the statutory requirements and live up to the Company's high standards of ethics and quality.

The code of conduct is freely accessible to all CANCOM employees via the intranet. If need be, those affected can approach the Compliance Officer, who will give them support and advice. CANCOM values and positively encourages open and objective feedback.

2. Basic principles of our corporate governance policy

Shareholders and their general meeting
Within the responsibilities structure of CANCOM IT Systeme AG, the general meeting of shareholders is the decision-making body, in which our shareholders can exercise their voting rights, with each notional no-par-value share giving entitlement to one vote in accordance with the articles of association. The general meeting of shareholders passes resolutions on the appropriation of profit, as well as on the discharge of the Executive and Supervisory Boards and the appointment of Supervisory Board members and the auditing firm. In addition, the general meeting of shareholders makes decisions on the Company's articles of association and its corporate purpose, on changes to the articles of association and on important managerial measures such as intercompany contracts. It also makes decisions on issuing new shares and convertible and option bonds, as well as on authorising the Company to purchase its own shares.
At their general meeting, our shareholders can exercise their voting rights in person or appoint proxies to vote on their behalf. CANCOM also offers its shareholders a special service whereby they can authorise a representative of the Company, who is bound to act in accordance with their wishes, to exercise their voting rights. Shareholders will take advantage of this opportunity at the next general meeting of shareholders on 22 June 2010 in Augsburg, Germany, as they have done in previous years. The agenda and the necessary reports and documents for the general meeting are made available to shareholders for viewing or downloading from our website at www.cancom.de.

A financial calendar that is published in the annual report (see page 96) and on the website provides shareholders of CANCOM IT Systeme Aktiengesellschaft with regular information about important dates.

The Executive Board – working closely with the Supervisory Board
The Executive Board of CANCOM IT Systeme Aktiengesellschaft is the Group's management body and consists of three members: Klaus Weinmann (CEO), Paul Holdschik and Rudolf Hotter. Klaus Weinmann is responsible for the general and administration division, Paul Holdschik for e-commerce/trade, and Rudolf Hotter for IT solutions.

The work of the Executive Board is geared towards achieving a sustainable increase in the Company's going-concern value. Executive responsibilities include orienting the Company's business strategy, planning and setting the corporate budget, and preparing the interim and annual financial statements of CANCOM IT Systeme Aktiengesellschaft and the CANCOM Group. Naturally, the Executive Board works closely with the Supervisory Board and informs it regularly, comprehensively and without delay about relevant issues. For example, the Executive Board regularly discusses the interim and annual financial statements before publication via phone call with the Executive Board. Important Executive Board decisions are subject to the approval of the Supervisory Board.

The Supervisory Board – advising and supervising the Executive Board

The Supervisory Board of CANCOM IT Systeme Aktiengesellschaft supervises the Executive Board and advises it in matters relating to the management of the business. It comprises six members: Chairperson Walter von Szczytnicki, Deputy Chairperson Dr Klaus F Bauer, Raymond Kober, Stefan Kober, Walter Krejci and Regina Weinmann, all of whom bring proven business expertise into the Company.

The Supervisory Board meets at regular intervals to discuss business performance and planning, as well as the business strategy and its implementation. It approves the annual financial statements of CANCOM IT Systeme Aktiengesellschaft and the CANCOM Group, taking into consideration the audit reports. Important Executive Board decisions are subject to the approval of the Supervisory Board.

Corporate governance and compliance are often of specific interest in meetings of the Supervisory Board and other discussions. Below are some examples of how corporate governance and compliance issues are dealt with.

In 2008, a system of information provision was adopted in accordance with a suggestion in No. 3.4 of the German Corporate Governance Code. This system governs the provision of information between the Executive Board and the Supervisory Board and also within the Supervisory Board. It documents and makes transparent the procedures already being practised at CANCOM IT Systeme Aktiengesellschaft, some of which, incidentally, go beyond the legal requirements.

2009 was the first year in which telephone conferences were called to discuss the quarterly financial reports and half-year results with the Executive Board before they were published, in accordance with a recommendation in No. 7.1.2 of the Code.

Following the setting up of a compliance system, CANCOM's Fairness First code of conduct is now brought to the attention of all employees of the Group, and also to any staff members who were not yet aware of it. There is a compliance officer who ensures that the code of conduct is complied with, as well as providing a contact for all compliance-related issues. To underline the importance of compliance for the CANCOM Group, the rules of procedure for the CEOs of the Group companies were reviewed and adapted to the latest requirements.

In the December meeting, the Supervisory Board appraised its own efficiency, in accordance with one of the recommendations of the Corporate Governance Code. No improvement was deemed necessary. The reasonableness and applicability of the latest changes to the Corporate Governance Code was also discussed, and the declaration of conformity with the Code was then agreed. CANCOM conforms to the Code in all but five of its recommendations.

Audit of the annual financial statements by S&P Wirtschaftsprüfung

The general meeting of shareholders of 24 June 2009 appointed the auditing firm S&P Wirtschaftsprüfungsgesellschaft, Augsburg, Germany, to audit the annual statements for financial 2009.

Risk management

CANCOM IT Systeme Aktiengesellschaft has a comprehensive system for the mapping and control of business and financial risks. The risk management system is designed to recognise significant business risks in advance and to control them. However, the internal controlling and risk management system cannot fully eliminate risks and therefore does not offer absolute protection against losses or fraudulent acts.

3. CANCOM IT Systeme Aktiengesellschaft's declaration of conformity with the German Corporate Governance Code in accordance with Section 161 of the German Stock Companies Act (Aktiengesetz, AktG)

At their meetings on 10 December 2009, the Supervisory Board and Executive Board of CANCOM IT Systeme Aktiengesellschaft approved the following declaration of conformity – which has both backward and forward-looking aspects – in accordance with Section 161 of the German Stock Companies Act:

1. Since its last declaration of conformity published on 9 December 2008, CANCOM IT Systeme AG has conformed to the recommendations of the German Corporate Governance Code issued on 6 June 2008 and published in the electronic German Federal Gazette (Bundesanzeiger) on 8 August 2008, up to the date on which the new version came into force on 5 August 2009, with the following exceptions:

1.1 Age limit for members of the Executive and Supervisory Boardsr

The German Corporate Governance Code recommends that age limits be set for Supervisory Board members. CANCOM IT Systeme Aktiengesellschaft feels that such a stipulation unnecessarily restricts the right of the shareholders to choose the members of the Supervisory Board. The corporate policies of CANCOM IT Systeme Aktiengesellschaft therefore do not define any such restriction on age. CANCOM's corporate policies also deviate from the recommendation of the German Corporate Governance Code by not stipulating any age limit for Executive Board members, for the same reason.

1.2. Deductible on directors' and officers' liability insurance

The German Corporate Governance Code recommends that an appropriate deductible be applied to claims on directors' and officers' liability insurance (D&O insurance). CANCOM IT Systeme Aktiengesellschaft does not agree that a deductible would have any effect in improving the attitude to work of, or the responsibility taken by, the members of the CANCOM Executive Board and the CANCOM Supervisory Board. There is therefore no deductible on the D&O insurance policies held by CANCOM.

1.3. Setting up of committees

The German Corporate Governance Code recommends that committees of experts be set up, depending on the specific circumstances of the company and the number of employees. The Supervisory Board of CANCOM IT Systeme Aktiengesellschaft consists of six members, a number appropriately proportionate to the size of the Company. In the opinion of CANCOM IT Systeme Aktiengesellschaft, setting up committees from within this six-member board would not lead to any improvement in efficiency, and therefore no committees are set up. The Supervisory Board as a whole discusses in depth matters of accounting, risk management and compliance, the necessity for an independent auditor, commissioning the auditor, determining the focus of the audit and agreeing a fee. No nomination committee has been set up, since at present all members of the Supervisory Board are shareholders or persons nominated by shareholders.

1.4. Remuneration of Supervisory Board members

The German Corporate Governance Code recommends that the remuneration of Supervisory Board members be subdivided into a fixed portion and a performance-related portion and that higher remuneration be paid to the Chairperson and Deputy Chairperson than to the ordinary members. CANCOM IT Systeme Aktiengesellschaft deviates from this recommendation by offering fixed remuneration to its Supervisory Board members and not differentiating between the Deputy Chairperson and the ordinary members of the Supervisory Board with regard to the remuneration they are offered.

2. CANCOM IT Systeme AG has conformed with the recommendations of the German Corporate Governance Code issued on 18 June 2009 since it was published in the electronic German Federal Gazette (Bundesanzeiger) on 5 August 2009, with the following exceptions:

2.1. Age limit for members of the Executive and Supervisory Boards

Exceptions only as detailed in No. 1.1.

2.2. Deductible on directors' and officers' liability insurance

Exceptions as in No. 1.2. However, the D&O insurance policies taken out by CANCOM, which currently do not include any deductible for the Executive Board, would, in the event of any changes, include the stipulated deductible within the time frame required, in line with the guidelines of the German Appropriateness of Management Board Remuneration Act (Gesetz zur Angemessenheit der Vorstandsvergütung, VorstAG).

2.3. Remuneration of the Executive Board

The German Appropriateness of Management Board Remuneration Act and the German Corporate Governance Code require that the variable components of management board remuneration be based on performance over several years, and that both good and poor performance be taken into account. The variable remuneration in current Executive Board contracts is based only on the performance of the relevant financial year and poor performance is not a factor in calculating it. The Supervisory Board will comply with the requirements of the Act and the German Corporate Governance Code with regard to future Executive Board remuneration within the time frame stipulated when any Executive Board members' contracts are changed or new ones drawn up.

2.4. Setting up of committees

Exceptions only as detailed in No. 1.3.

2.5. Remuneration of Supervisory Board members

Exceptions only as detailed in No. 1.4.

Jettingen-Scheppach, Germany, 10 December 2009

For the Executive Board
Klaus Weinmann

For the Supervisory Board
Walter von Szczytnicki

4. Remuneration report

The remuneration report summarises the basic principles applied to setting the remuneration of the Executive Board of CANCOM IT Systeme Aktiengesellschaft, and explains the level and structure of Executive Board members' emoluments. The report also covers the remuneration of the Supervisory Board members. The remuneration report conforms to the recommendations of the German Act on the Disclosure of Management Board Remuneration (Vorstandsvergütungs-Offenlegungsgesetz, VorstOG).

4.1. Remuneration of the Executive Board

The Supervisory Board is responsible for determining the remuneration of Executive Board members. The remuneration depends, among other things, on the size of the Company, its financial situation and the level of remuneration of the executive boards of other, comparable companies. The tasks and the contribution of the relevant Executive Board member are also taken into account.

The remuneration of the Executive Board is performance-related. In 2009, Klaus Weinmann's remuneration consisted of a fixed payment, a variable bonus and a compensation of a pension commitment. Rudolf Hotter's remuneration consisted of a fixed payment and a variable bonus. Paul Holdschik's remuneration also consisted of a fixed payment and a variable bonus.

The fixed remuneration is paid as a monthly salary. Whether the variable bonus is paid, and how much is paid, depends on how well the CANCOM Group's target EBIT figure has been met in the relevant financial year.

The German Appropriateness of Management Board Remuneration Act (Gesetz zur Angemessenheit der Vorstandsvergütung, VorstAG) and the German Corporate Governance Code require that the variable components of management board remuneration be based on performance over several years, and that both good and poor performance be taken into account. The Supervisory Board will duly comply with the requirements of the Act and the German Corporate Governance Code with regard to future Executive Board remuneration when any Executive Board members' contracts are changed or new ones drawn up.

There was a pension commitment in relation to the CEO of CANCOM IT Systeme AG, Klaus Weinmann, documented in an agreement dated 16 March 1999 as well as in supplementary agreements and amendments.

In 2009 there were no pension provisions for the Executive Board (2008: € 119k). In its meeting of 10 December 2009, the Supervisory Board of CANCOM IT Systeme AG approved an agreement to cancel Klaus Weinmann's pension contract and to pay compensation. The Chairperson of the Supervisory Board was authorised to sign the agreement. The resulting agreement is effective from 31 December 2009, and provides for the termination of Mr Weinmann's pension commitment and payment of a lump sum in compensation for past services as well as a future monthly payment in consideration of future services. The amount of the settlement was calculated using actuarial mathematics. The compensation for the entitlements accrued for the period up to 31 December 2009 amounts to € 141,893 gross, and the corresponding amount net of taxes was paid to Mr Weinmann in the financial year 2009.

The following level of remuneration was set for the Executive Board members in the financial year 2009 (rounded figures):

The remuneration of the CEO, Klaus Weinmann, consists of a fixed payment of € 280k, an annual bonus of € 186k, the one-off compensation of € 142k for pension entitlements earned to date, and other remuneration components amounting to € 2k. His total remuneration, including the one-off compensation for pension entitlements earned to date – of which € 119k was earned in previous years – was € 610k. The remuneration of the other Executive Board members, Rudolf Hotter and Paul Holdschik, consists of a fixed payment of € 200k, an annual bonus of € 125k and other remuneration components amounting to € 4k. Altogether, their remuneration amounts to € 329k each. The total remuneration of the Executive Board for the financial year 2009 was € 1,268k.

4.2. Remuneration of the Supervisory Board

Each member of the Supervisory Board receives a fixed annual remuneration, which is set by the general meeting of shareholders and remains fixed until a general meeting of shareholders resolves on a change. In accordance with the articles of association, each member receives a payment of € 10k in addition to an attendance fee of € 750. The Chairperson receives double the amounts paid to other members. If a Supervisory Board member does not serve a full year, he/she receives the pro-rata remuneration for the period served.

The Company reimburses the Supervisory Board members with any expenses incurred that are directly connected with their position. Sales tax is reimbursed by the Company if the relevant Supervisory Board member is entitled to invoice separately for sales tax and exercises this entitlement.

The Supervisory Board members received the following remuneration in the financial year 2009 (rounded figures):

The remuneration of the Chairperson of the Supervisory Board, Walter von Szczytnicki, was € 26k, and that of the other Supervisory Board members as follows: Dr Klaus F Bauer € 13k, Stefan Kober € 13k, Hans-Jürgen Beck € 4.1k, Raymond Kober € 13k, Walter Krejci € 13k and Regina Weinmann € 7.3k. The total remuneration of the Supervisory Board in 2009 was € 89.3k.

6.3. Other notes

The Company has directors' and officers' insurance covering legal liability in relation to the activities of the Executive Board, the Supervisory Board and managerial employees.

Since 1 July 2007, a consultancy agreement has been in place between CANCOM IT Systeme Aktiengesellschaft and the Chairperson of its Supervisory Board, Walter von Szczytnicki. The contract was drawn up in accordance with Section 114 of the German Stock Companies Act (Aktiengesetz, AktG) and provides for an annual remuneration of € 60,000. Hence the remuneration paid in the financial year 2009 amounted to € 60,000.

On 27 June 2007, the Supervisory Board approved an M&A consultancy agreement with Auriga Corporate Finance GmbH, Munich, Germany on the occasion of the election to the Supervisory Board of CANCOM IT Systeme AG of Walter Krejci, managing director of Auriga Corporate Finance GmbH. The agreement had been signed on 7 March 2007 and required the approval of the Supervisory Board in accordance with Section 114 I of the German Stock Companies Act (Aktiengesetz, AktG). No payments were made to the company on the basis of the consultancy agreement in 2009.

5. Shareholdings of the Executive and Supervisory Boards as at 31 December 2009

Shareholdings of Executive Board members

As at 31 December 2009, the members of the Executive Board held a total of 783,093 CANCOM shares, or 7.5 percent of the share capital of CANCOM IT Systeme Aktiengesellschaft.

The individual shareholdings of the Executive Board were as follows:

	Number of shares	Percentage of share capital
Klaus Weinmann	543,312	5.2%
Paul Holdschik	64,781	0.6%
Rudolf Hotter	175,000	1.7%

Shareholdings of Supervisory Board members

As at 31 December 2009, Supervisory Board members held a total of 1,864,932 CANCOM shares, either directly or indirectly. This is equivalent to 17.9 percent of CANCOM IT Systeme Aktiengesellschaft's share capital.

The individual shareholdings of the Supervisory Board were as follows:

	Number of shares	Percentage of share capital
Walter von Szczytnicki	6,252	0.1 %
Dr. Klaus F. Bauer	1,500	0.0 %
Raymond Kober	920,891	8.9 %
Stefan Kober	826,289	8.0 %
Walter Krejci	10,000	0.1 %
Regina Weinmann	100,000	1.0 %

6. Financial calendar

12 March 2010
Publication of 3-months-report 2010

22 June 2010
Shareholders' meeting of CANCOM IT Systeme AG
in Augsburg, Germany

11 August 2010
Publication of 6-months-report 2010

11 November 2010
Publication of 9-months-report 2010

Consolidated balance sheet as at 31 December 2009 – IFRS

Assets (in €'000)	Notes	**Financial statements 12/31/2009**	Financial statements 12/31/2008	Financial statements 01/01/2008
Current assets				
Cash	C.1.	25,836	18,282	11,778
Assets held for sale	C.2.	0	3,378	0
Trade accounts receivable	C.3.	47,191	44,175	39,316
Other current financial assets	C.4.	3,223	4,141	5,306
Inventories	C.5.	12,589	10,080	8,551
Orders in process	C.6.	990	1,140	932
Prepaid expenses and other current assets	C.7	3,384	2,099	2,066
Total current assets		**93.213**	**83,295**	**67,949**
Long-term assets				
Property, plant and equipment	C.8.1.	6,529	5,401	3,019
Intangible assets	C.8.2.	6,730	4,544	3,817
Goodwill	C.8.3.	24,812	23,787	21,889
Investments		157	129	140
Investments accounted for by the equity method		0	13	14
Notes receivable/loans	C.8.4.	0	199	182
Other financial assets		822	766	220
Deferred taxes arising from temporary differences	C.9.	338	394	404
Deferred taxes arising from tax loss carryover	C.9.	2,224	2,088	2,663
Other assets		77	58	129
Total long-term assets		**41.689**	**37,379**	**32,477**
Total assets		**134,902**	**120,674**	**100,426**

Equity and liabilities (in €'000)	Notes	Financial statements 12/31/2009	Financial statements 12/31/2008	Financial statements 01/01/2008
Current liabilities				
Short-term debt and current portion of long-term debt	C.10.	707	1,800	1,935
Trade accounts payable		47,852	39,257	27,522
Advance payments received		1,140	1,951	815
Other current financial liabilities	C.11.	3,158	2,547	1,563
Accrued expenses	C.12.	3,905	2,630	6,671
Prepaid expenses and deferred charges		908	835	1,594
Income tax payable	C.13.	438	529	1,236
Other current liabilities	C.14.	9,437	9,690	4,493
Liabilities for assets held for sale		0	1,590	0
Total current liabilities		**67,545**	**60,829**	**45,829**
Long-term liabilities				
Long-term debt, less current portion	C.15.	5,194	5,014	4,510
Profit-participation capital and subordinated loans	C.16.	12,784	11,571	11,563
Prepaid expenses and deferred charges	C.17.	1,767	381	867
Deferred taxes arising from temporary differences	C.18.	1,967	1,287	675
Pension provisions	C.19.	26	150	168
Other long-term financial liabilities	C.20.	491	1,207	0
Other long-term liabilities		1,259	1,319	560
Total long-term liabilities		**23,488**	**20,929**	**18,343**
Equity				
Share capital	C.21.	10,391	10,391	10,391
Additional paid-in capital		15,441	15,441	15,441
Net profit (incl. retained earnings)		18,476	13,416	10,721
Currency translation difference		–279	–324	–294
Own shares at cost	C.21.	–165	0	0
Minority interest	C.22.	5	–8	–5
Total equity		**43,869**	**38,916**	**36,254**
Total equity and liabilities		**134,902**	**120,674**	**100,426**

Consolidated income statement – IFRS

(in €'000)	Notes	**01/01/2009 – 12/31/2009**	01/01/2008 – 12/31/2008
Revenues	D.2.	422,478	364,147
Other operating income	D.3.	2,679	1,727
Other capitalised services rendered for own account	D.4.	953	305
Total operating revenue		**426,110**	**366,179**
Cost of purchased materials and services		–306,843	–258,344
Gross profit		**119,267**	**107,835**
Personnel expenses	D.5.	–82,807	–73,028
Depreciation on property, plant and equipment and amortisation of intangible assets		–3,404	–3,389
thereof depreciation on Goodwill		*–56*	*–1,019*
Other operating expenses	D.6.	–26,100	–26,056
Operating income		**6,956**	**5,362**
Interest and similar income	D.7.	164	304
Interest and other expenses	D.7.	–1,468	–1,563
Write-downs of financial assets		0	-5
Share in profit or loss from joint ventures accounted for by the equity method		11	–1
Foreign currency exchange gains		–5	–77
Profit bevore taxes (and minority interest)		**5,658**	**4,020**
Income tax expense	D.8.	–556	–1,262
After-tax profit/loss from continuing operations		**5,102**	**2,758**
Profit/loss from discontinued operations	D.9.	–3	–62
Net income for the period		**5,099**	**2,696**
thereof attributable to the shareholders of the parent		5,060	2,695
thereof attributable to minority interests	D.10.	39	1
Average number of shares outstanding (basic)		10,387,139	10,390,751
Average number of shares outstanding (diluted)		10,387,139	10,390,751
Earnings per share from continuing operations (non-diluted)		**0.49**	**0.27**
Earnings per share from continuing operations (diluted)		**0.49**	**0.27**
Earnings per share from discontinued operations (non-diluted)		**–0.00**	**–0.01**
Earnings per share from discontinued operations (diluted)		**–0.00**	**–0.01**

Statement of compehensive income – IFRS

(in €'00)	**01/01/2009 – 12/31/2009**	01/01/2008 – 12/31/2008
Net income for the period	**5,099**	**2,696**
Other income		
Currency translation difference	65	–43
Income tax expense on other compehensive income	–20	13
Other after-tax income for the period	**45**	**–30**
Comprehensive income for the period	**5,144**	**2,666**
thereof attributable to the shareholder of the parent	5,105	2,695
thereof attributable to the minority interests	39	1

Consolidated cash flow statement – IFRS

(in €'000)	Notes	**01/01/2009 – 12/31/2009**	01/01/2008 – 12/31/2008
Cash flow from ordinary activities			
Profit for the year before tax and minority interest		5,658	4,020
Adjustments			
+/– Depreciation on property, pland and equipment and amortisation of intangible assets		3,404	3,389
+/– Changes in long-term provisions		–233	738
+/– Changes in short-term provisions		239	–3,357
+/– Gains / losses on the disposal of fixed assets		66	–14
+/– Interest expenditure		1,304	1,259
+/– Changes in inventories		–929	855
+/– Changes in trade accounts receivable and other accounts receivable		814	4,393
+/– Changes in trade accounts payable and other accounts payable		2,748	4,303
+/– Interest paid		–335	–382
+/– Income tax payments and rebates		–102	–976
+/– Non-cash expenses and income		–1,983	–1,384
+/– Cash inflow/outflow from discontinued operations		0	206
Net cash from operating activities		**10,651**	**13,050**
Cash flow from investing activities			
+/– Acquisition of subsidiaries (net of cash)		–409	–6,637
+/– Cash from acquisitions	E	1,791	3,591
+/– Payments for additions to intangible assets and property, pland and equipment		–4,660	–2,953
+/– Payments for additions to and disposal of financial assets		398	–17
+/– Income from disposal of property, plant and equipment and financial assets		100	2,000
+/– Cash used in disposal of equity holdings		0	–199
+/– Interest received		164	304
+/– Cash inflow / outflow from discontinued operations		–4	2,728
Net cash used in investing activities		**–2,620**	**–1,183**
Cash flow from financing activities			
+/– Inflows / outflows from borrowings		300	–4,391
+/– Interest paid		–1,133	–1,181
+/– Purchaes of own shares	C.21.	–165	0
+/– Cash inflow / outflow finance lease		–229	908
+/– Cash inflow / outflow from discontinued operations		123	150
Net cash used in financing activities		**–1,104**	**–4,514**
Net change in cash and cash equivalents		**6,927**	**7,353**
+/– Changes in value resulting from foreign currency exchange		32	–254
+/– Cash as at beginning of period		18,877	11,778
Cash and cash equivalents as at end of period		**25,836**	**18,877**
Breakdown:			
Cash		25,836	18,282
Cash from discontinued operations		0	595
	E	**25,836**	**18,877**

	Shares	Share capital	Additional paid-in capital	Retained earnings	Foreign currency translation reserve	Revaluation reserve	Net profit / loss	Total investors parent company	Minority interest	Total equity cash
	units '000	in €'000	in €'000	in €'000	in €'000	in €'000	in €'000	in €'000	in €'000	in €'000
31 December 2007	**10,391**	**10,391**	**15,441**	**122**	**–294**	**–153**	**10,752**	**36,259**	**–5**	**36,254**
Comprehensive income for the period					–30		2,695	2,665	–3	2,662
31 December 2008	**10,391**	**10,391**	**15,441**	**122**	**–324**	**–153**	**13,447**	**38,924**	**–8**	**38,916**
Purchase of own shares								–165		–165
Comprehensive income for the period					45		5,060	5,105	39	5,144
Impact of derecognition of minority interests								0	–26	–26
31 December 2009	**10,391**	**10,391**	**15,441**	**122**	**–279**	**–153**	**18,507**	**43,864**	**5**	**43,869**

Segment information – IFRS

	e-commerce/trade		IT Solutions	
	12/31/09 €'000	12/31/08 €'000	12/31/09 €'000	12/31/08 €'000
Sales revenues				
– External sales	217,017	197,829	205,461	166,318
– Intersegment sales	3,784	2,186	18,843	15,699
– Total sales revenues	220,801	200,015	224,304	182,017
– Cost of purchased materials and services	–188,430	–168,427	–136,322	–103,594
– Personnel expenses	–17,106	–17,067	–62,623	–53,274
– Other operative income and expenses	–9,897	–8,626	–15,250	–17,681
EBITDA	5,368	5,895	10,109	7,468
– calculated depreciation and amortisation	2,138	1,984	1,138	938
Operating income (EBIT)	**3,230**	**3,911**	**8,971**	**6,530**
– Interest income	74	259	126	91
– Interest expenditure	–390	–335	–230	–344
– Write-downs of financial assets				
– Share in profit or loss of joint ventures accounted for by the equity				
Result from ordinary activities	2,914	3,835	8,867	6,277
– Result from extraordinary activities	0	0	0	0
– Foreign currency exchange gains / losses				
Pre-tax profit	2,914	3,835	8,867	6,277
– Income taxes				
– discontinued operations		0		
Consolidated income for the year				
thereof attributable to the shareholders of the parent				
thereof attributable to minority interests				
Other information				
– Assets [1)]	51,205	55,584	62,026	50,763
– Investments [1)]	1,839	5,238	4,609	8,961

1) Segment assets and investments including goodwill from consolidation of capital

2) Tax assets

Totals		Other companies		Reconcilation		consolidated	
12/31/09	12/31/08	12/31/09	12/31/08	12/31/09	12/31/08	12/31/09	12/31/08
€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
422,478	364,147	0	0				
22,627	17,885	5,601	5,238	–28,228	–23,123		
445,105	382,032	5,601	5,238	–28,228	–23,123	422,478	364,147
–324,752	–272,021	0		17,909	13,677	–306,843	–258,344
–79,729	–70,341	–3,078	–2,687	0	0	–82,807	–73,028
–25,147	–26,307	–7,640	–7,163	10,319	9,446	–22,468	–24,024
15,477	13,363	–5,117	–4,612	0	0	10,360	8,751
3,276	2,922	128	467	0	0	3,404	3,389
12,201	**10,441**	**–5,245**	**–5,079**	**0**	**0**	**6,956**	**5,362**
200	350	286	293	–322	–339	164	304
–620	–679	–1,172	–1,223	322	339	–1,468	–1,563
0	0		–5	0	0	0	–5
0	0	11	–1	0	0	11	–1
11,781	10,112	–6,118	–6,015	0	0	5,663	4,097
0	0			0	0	0	0
0	0		0	–5	–77	–5	–77
11,781	10,112	–6,118	–6,015	–5	–77	5,658	4,020
				–556	–1,262	–556	–1,262
0	0	0	0	–3	–62	–3	–62
						5,099	**2,696**
						5,060	2,695
						39	1
				Reconcilation 2)			
113,231	106,347	18,890	11,482	2,781	2,845	134,902	120,674
6,448	14,199	1,086	662			7,534	14,861

Schedule of fixed assets – IFRS

(in T€)	At 01/01/2009	Add. from first consol. 2009	Additions 2009	Disposals 2009	Transfers 2009
	Acquisition or manufacturing costs				
Property, plant and equipment	12,977	923	3,302	961	496
Intangible assets	7,194	1,861	1,358	11	17
Goodwill	41,129	51	0	320	2,417
Investments	129	26	2	–10	0
Investments accounted for by the equity method	14	0	11	25	0
Notes receivable/loans	199	0	0	199	0
Total	**61,642**	**2,861**	**4,673**	**1,506**	**2,930**

Financial year 2008

(in T€)	At 01/01/2008	Add. from first consol. 2008	Additions 2008	Disposals 2008	Transfers 2008
	Acquisition or manufacturing costs				
Property, plant and equipment	8,631	3,051	2,510	691	–524
Intangible assets	5,832	3,518	446	2,602	0
Goodwill	38,684	5,315	3	456	–2,417
Investments	151	1	0	91	68
Investments accounted for by the equity method	14	0	0	0	0
Notes receivable/loans	182	0	17	0	0
Total	**53,494**	**11,885**	**2,976**	**3,840**	**–2,873**

		Depreciation and amortisation					Earning amounts	
At 12/31/2009	At 01/01/2009	Add. from first consol. 2009	Additions 2009	Transfers 2009	Disposals 2009	At 12/31/2009	At 12/31/2009	At 12/31/2008
16,737	7,756	748	2,444	243	803	10,208	6,529	5,401
10,419	2,650	139	904	0	4	3,689	6,730	4,544
43,277	17,342	0	56	1,064	–3	18,465	24,812	23,787
167	0	0	0	0	–10	10	157	129
0	1	0			1	0	0	13
0	0	0	0	0	0	0	0	199
70,600	**27,569**	**887**	**3,404**	**1,307**	**795**	**32,372**	**38,228**	**34,073**

		Depreciation and amortisation					Earning amounts	
At 12/31/2008	At 01/01/2008	Add. from first consol.. 2008	Additions 2008	Transfers 2008	Disposals 2008	At 12/31/2008	At 12/31/2008	At 12/31/2007
12,977	5,612	1,401	1,370	–243	564	7,576	5,401	3,019
7,194	2,015	411	1,001	0	777	2,650	4,544	3,817
41,129	16,795	604	0	–45	12	17,342	23,787	21,889
129	11	0	5	0	16	0	129	140
14	0	0	1			1	13	14
199	0	0	0	0	0	0	199	182
61,642	**24,433**	**2,416**	**2,377**	**–288**	**1,369**	**27,569**	**34,073**	**29,061**

Notes to the consolidated financial statements for the financial year from 1 January 2009 to 31 December 2009

Notes to the consolidated financial statements for the financial year from 1 January 2009 to 31 December 2009

A. The principles adopted for the consolidated financial statements

1. General information

The consolidated financial statements of CANCOM IT Systeme Aktiengesellschaft and its subsidiaries ("the CANCOM Group" or "the Group") for the financial year 2009 were drawn up according to the International Financial Reporting Standards or the International Accounting Standards (IFRS/IAS).

The main corporate objective of CANCOM IT Systeme Aktiengesellschaft and its consolidated subsidiaries is the sale and distribution of integrated IT system solutions (hardware, software and network products) and the provision of a broad range of IT services (e.g. consultancy, system integration, service and support, and training).

The consolidated financial statements were drawn up in euro. The financial year covers the period from 1 January to 31 December 2009. The address of the Company's registered office is Messerschmittstrasse 20, 89343 Jettingen-Scheppach, Germany.

The shares are traded on the Regulated Market of the FWB Frankfurt Stock Exchange under ISIN DE0005419105 and are admitted to the Prime Standard of Deutsche Börse AG.

2. Financial reporting according to International Financial Reporting Standards (IFRS)

All compulsory IFRS and IAS for the 2009 financial year as well as the interpretations of the International Financial Reporting Interpretation Committee (IFRIC) or Standing Interpretations Committee (SIC) were taken into account with no restrictions. The provisions of Section 315a, paragraph 1 of the German Commercial Code (Handelsgesetzbuch, HGB), which still apply, were also taken into consideration.

The consolidated income statement was prepared on the basis of the total cost method. The balance sheet differentiates between non-current and current assets and liabilities. Assets and liabilities are considered as current if they are payable within a year or are going to be sold. They are classified as non-current when they remain in the company for longer than a year.

New reporting standards

The International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) have adopted the following standards, interpretations and amendments, which are not yet compulsory for the financial year 2009. The management did not apply these new principles ahead of schedule. The Group does not currently expect any of the changes to have any major impact on the consolidated financial statements.

IFRIC interpretations

IFRIC has issued the following interpretations covering issues that do not at present concern the Company.

IFRIC 17 Distributions of Non-cash Assets to Owners Applicable for reporting periods starting on or after 1 July 2009

IFRIC 18 Transfers of Assets from Customers Applicable for reporting periods starting on or after 1 July 2009

IFRS and IAS Standards

In July 2009 the IASB published amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendments relate to oil and gas assets and to determining whether an arrangement contains a lease. They are applicable for financial years starting on or after 1 January 2010.

In June 2009 the IASB published amendments to IFRS 2 Share-based Payment, which clarify the accounting requirements for group cash-settled share-based payments. The amendments to IFRS 2 incorporate guidance previously included in IFRIC 8, scope of IFRS 2 and IFRIC 11, IFRS 2 Group and Treasury Share Transactions. As a result, the IASB has withdrawn IFRIC 8 and IFRIC 11. The amendments are applicable for reporting periods starting on or after 1 January 2010.

In January 2008 the IASB published an amendment to IFRS 3, which comprehensively reviews its definition of the application of the acquisition method for business combinations. The standard is applicable for financial years starting on or after 1 July 2009. Identifiable assets acquired and liabilities assumed are measured and shown in the balance sheet at their acquisition-date fair values. Under the new standard, changes in respect of a valuation at the time of acquisition are recognised in the income statement. The revision of IFRS 3 results in consequential amendments to the following standards:

IAS 27 Consolidated and Separate Financial Statements
IAS 28 Investments in Associates
IAS 31 Interests in Joint Ventures

In May 2008 the IASB published an amendment to IFRS 5 Non-current Assets held for Sale and Discontinued Operations regarding plans to sell a subsidiary. When there is a commitment to a planned sale that involves loss of control of the subsidiary, and in which the conditions of IFRS 5.6-8 are fulfilled, all assets and liabilities of that subsidiary are to be classified as held for sale, regardless of whether the company will retain a non-controlling interest in the subsidiary after the sale. The standard is applicable for financial years starting on or after 1 July 2009.

In November 2009 the IASB published an amendment to IFRS 9 Financial Instruments covering the classification and measurement of financial assets. This is the first phase of the project to replace IAS 39. The standard is applicable for financial years starting on or after 1 January 2013.

In November 2009 the IASB amended IAS 24 Related Party Disclosures in order to allow a partial exemption from the disclosure requirements for government-related companies and to clarify the definition of a related party. The amendment is applicable for financial years starting on or after 1 January 2011.

In August 2009 the IASB published amendments to IAS 32 Financial Instruments Presentation with regard to the classification of rights issues. The amendments are applicable for financial years starting on or after 1 February 2010.

In April 2009 the IASB published a collection of standards to amend various International Financial Reporting Standards as part of its annual improvements project (AIP) for 2009. Most of the amendments are effective for annual periods starting on or after 1 January 2010, but companies may apply them earlier than this. The Group did not apply any of the amendments ahead of schedule.

IFRS 2: clarification that IFRS 2 Share-based Payment does not apply to combinations of businesses under common control or to the formation of joint ventures. The standard is applicable for financial years starting on or after 1 July 2009.

IFRS 5: disclosures regarding non-current assets (or disposal groups) classified as held for sale or as discontinued operations.

IFRS 8: clarification that disclosures of segment assets are only required where internal reports on segment assets are reviewed regularly by the chief operating decision maker (conditional obligation). The Group's segment reporting includes disclosures of the segment assets.

IAS 7 Statement of Cash Flows: clarification that only payments which lead to the recognition of an asset in the balance sheet may be classified in the cash flow statement as cash flows from investing activities.

IAS 17 Leases: classification of leases of land and buildings.

IAS 36 Impairment of Assets: asset to be valued in the goodwill impairment test .

IAS 38 Intangible Assets: additional consequential amendments arising from the revised version of IFRS 3. There is also another amendment concerning measurement of the fair value of an intangible asset acquired in a business combination.

The IASB also published the following standards defining situations that do not affect the Company at present. The Group does not currently expect the application of these standards to have any significant impact on the consolidated financial statements.

- IAS 1 Presentation of Financial Statements in conjunction with IAS 32 Financial Instruments - Presentation: classification of convertible bonds as current or non-current.
- IAS 39 Financial Instruments: Recognition and Measurement – amendments with regard to exposures qualifying for hedge accounting, amendments for embedded derivatives on reclassifications of financial assets, treatment of early repayment penalties as closely related embedded derivatives, cash flow hedge accounting.

3. Reporting entity – scope of consolidation

The consolidated financial statements include CANCOM IT Systeme Aktiengesellschaft and all subsidiaries in which CANCOM IT Systeme Aktiengesellschaft has either a direct or an indirect majority shareholding, or in which it holds the majority of the voting rights. These subsidiaries are fully consolidated.

CANCOM IT Systeme Aktiengesellschaft has established a company named NSG Datacenter Services GmbH, based in Jettingen-Scheppach, Germany. The company formation is documented by a contract drawn up by notary Dr Braun under deed no. B 1053/2009, dated 30 July 2009. The company's share capital is € 25,000 and was acquired in full by CANCOM IT Systeme Aktiengesellschaft. The object of the company is the planning, development, distribution, assembly, customising, installation, commissioning, repair and maintenance of hardware and software products, as well as systems and networks, including replacement parts, peripheral systems and accessories in the fields of information technology, telecommunications and related technologies. The company also provides advice, training and instruction in addition to placement of employees and freelancers and temporary hiring-out employees in these sectors. The new company was entered in the commercial register on 7 August 2009.

Changes in the reporting entity in 2009:

Name and registered office of the company	Date of acquisition	Equity investment (percentage)	Share of voting rights (percentage)
NSG Datacenter Services GmbH	1 August 2009	100	100

A new company named CANCOM IT Services GmbH, based in Jettingen-Scheppach, Germany, has been set up by CANCOM IT Systeme Aktiengesellschaft. The company formation is documented by a contract drawn up by notary Dr Braun under deed no. B 1055/2009, dated 30 July 2009. The company's share capital is € 25,000 and has been acquired in full by CANCOM IT Systeme Aktiengesellschaft. The object of the company is the planning, development, distribution, assembly, customising, installation, commissioning, repair and maintenance of hardware and software products, as well as systems and networks, including replacement parts, peripheral systems and accessories in the fields of information technology, telecommunications and related technologies. The company also provides advice, training and instruction of employees and freelancers in these sectors. The new company was entered in the commercial register on 7 August 2009.

Changes in the reporting entity in 2009:

Name and registered office of the company	Date of acquisition	Equity investment (percentage)	Share of voting rights (percentage)
CANCOM IT Services GmbH	1 August 2009	100	100

CANCOM IT Systeme Aktiengesellschaft has acquired 24.5 percent of the limited partnership interest in Home of Hardware GmbH & Co. KG through its subsidiary HOH Home of Hardware GmbH (formerly SYSNET Computer-Systemvertriebsgesellschaft mbH). The acquisition is documented in agreements on the purchase and transfer of a limited partnership interest dated 5 August 2009. The fixed purchase price of € 200,000 was paid in full. Incidental costs of € 11k were incurred in relation to the acquisition.
In addition to the fixed purchase price, a profit-related variable purchase price was agreed. This is expected to be € 121k, and € 18k of this amount has already been paid.

Home of Hardware Verwaltungs GmbH has been merged into HOH Home of Hardware GmbH (formerly SYSNET Computer-Systemvertriebsgesellschaft mbH). The merger is documented in a merger agreement drawn up on 5 August 2009 by notary Dr Braun under deed no. B 1088/2009. The merger was entered in the commercial register file of HOH Home of Hardware GmbH on 16 September 2009.

HOH Home of Hardware GmbH (formerly SYSNET Computer-Systemvertriebsgesellschaft mbH) now holds all of the limited partnership interest in Home of Hardware GmbH & Co. KG and, as the legal successor of Home of Hardware Verwaltungs GmbH, it is also the full partner of Home of Hardware GmbH & Co. KG. The assets and liabilities therefore accrue to the remaining shareholder without liquidation. The accrual was made when the dissolution of Home of Hardware GmbH & Co. KG was entered in its commercial register file on 7 October 2009.

CANCOM IT Systeme Aktiengesellschaft has purchased the remaining 50 percent of the shares of CANCOM Financial Services GmbH, nominally valued at € 50,000. The acquisition is documented by a contract of sale drawn up by notary Dr Braun under deed no. B 1797/2009 on 8 December 2009.
The purchase price was € 48,886.43 and was paid on 8 December 2009. Incidental costs of € 1k were incurred in connection with the acquisition.

CANCOM Financial Services GmbH is included in the consolidated financial statements from 8 December 2009, the date on which the contract was signed, since this is the date on which CANCOM IT Systeme Aktiengesellschaft effectively gained control over the company.

The object of the company is acquisition and negotiation of lease agreements, leasing of information and communication technology, provision of advice in connection with these transactions, and all directly and indirectly related activities.

Up to 7 December 2009, the company was accounted for by the equity method.

Change in the reporting entity in 2009:

Name and registered office of the company	Date of acquisition	Equity investment (percentage)	Share of voting rights (percentage)
CANCOM Financial Services GmbH	8 December 2009	100	100

The changes in the reporting entity had the following effects on the consolidated financial statements at the date on which CANCOM Financial Services GmbH was first included, on 8 December 2009:

	Fair values €'000	Carrying amounts €'000
Cash and cash equivalents	102	102
Current assets	102	102
Total assets	**102**	**102**
Other current liabilities	4	4
Current liabilities	4	4
Total liabilities	**4**	**4**
Net assets acquired	**98**	**98**

No goodwill was acquired in connection with the acquisition.

The loss made by CANCOM Financial Services GmbH since the acquisition date, which is taken into account in the consolidated profit, is € 2k.

CANCOM IT Systeme Aktiengesellschaft has acquired 100 percent of the shares of CANCOM SCC GmbH (formerly BT IT-Consulting GmbH), nominally valued at DM 4,150,000 (€ 2,121,861.31). The acquisition is documented in a contract of sale drawn up by notary Dr Braun under deed no. B 1938/2009 on 21/22 December 2009.

The provisional purchase price amounts to € 807,637 and can still be changed.

The company is included in the consolidated financial statements with effect from 31 December 2009.

The object of the company is the sale of office and data systems, hardware and software and services connected with electronic data processing; the development of software solutions and the operation of training facilities for software development. The company is authorised to engage in any transactions that either directly or indirectly facilitate its object. It is authorised to invest in, or to acquire, other companies of the same or similar kind. In particular, the company is authorised to invest in limited partnerships as a personally liable shareholder.

Changes in the reporting entity in 2009:

Name and registered office of the company	Date of acquisition	Equity investment (percentage)	Share of voting rights (percentage)
CANCOM SCC GmbH	31 December 2009	100	100

The change in the reporting entity had the following effects on the consolidated financial statements at the date on which CANCOM SCC GmbH was first included, on 31 December 2009:

	Fair values €'000	Carrying amounts €'000
Cash and cash equivalents	1,689	1,689
Trade accounts receivable	3,855	3,855
Other current financial assets	84	84
Inventories	964	964
Prepaid expenses, deferred charges and other current assets	102	102
Current assets	6,694	6,694
Property, plant and equipment	176	176
Intangible assets	1,722	3
Financial assets	26	26
Deferred taxes from temporary differences	0	0
Deferred taxes from tax loss carrover	328	0
Non-current assets	2,252	205
Total assets	**8,946**	**6,899**
Short-term loans and current component of long-term loans	0	0
Trade accounts payable	3,541	3,541
Other current financial liabilities	1,518	1,518
Accrued expenses	73	73
Deferred revenues	158	158
Taxes on income	0	0
Other current liabilities	349	349
Current liabilities	5,639	5,639
Deferred taxes from temporary differences	525	0
Other non-current liabilites	60	60
Non-current liabilities	585	60
Total liabilities	**6,224**	**5,699**
Net assets acquired	**2,722**	**1,200**

The company acquisition, and the newly valued assets acquired and liabilities assumed resulted in a negative difference of € 1,812k as well as intangible assets of € 1,719k. The negative difference was recognised in the income statement and shown under other operating income.

The net profit/loss of CANCOM SCC GmbH included in the consolidated net income since its acquisition date is zero.

If the acquisition date for all the business combinations had been 1 January 2009, the sales revenues of the merged companies would have been € 449,845k and the net income € 2,930k.

The consolidated financial statements for CANCOM IT Systeme Aktiengesellschaft for the year ended 31 December 2009 include the German and non-German subsidiaries shown in the statement of shareholdings in Annex 6, in accordance with the principles of full consolidation.

4. Accounting and valuation policies

The basic accounting and valuation policies used to prepare the consolidated financial statements are explained below. The methods described were used consistently for the reporting periods shown, unless declared otherwise.

There has been no early adoption of standards which came into effect after the accounting date, so these standards have had no impact on the earnings, financial and assets position of the Group.

Preparation of the separate financial statements included in the consolidated statements

The financial statements of the German and non-German companies included in the consolidated financial statements were prepared as at the balance sheet date for CANCOM IT Systeme Aktiengesellschaft.

Principles of consolidation

The consolidated financial statements are based on the separate financial statements of the companies consolidated in the financial statements of CANCOM IT Systeme Aktiengesellschaft.

In accordance with IFRS 3.79 the amortisation of previously recognised goodwill has been discontinued. The carrying amount of the amortisation accumulated is charged against a corresponding reduction of the goodwill. The goodwill is analysed annually for impairment of assets in accordance with IAS 36.

The financial statements of the individual subsidiaries were included in the consolidated statements according to the acquisition method. Assets, liabilities and contingent liabilities identifiable within the scope of a business combination are valued at their acquisition-date fair value when they are first included in the consolidated accounts. The surplus acquisition costs beyond the Group's share in the net assets valued at fair value are recognised as goodwill. In line with IFRS 3 Business Combinations, IAS 36 Impairment of Assets and IAS 38 Intangible Assets, goodwill is no longer subject to amortisation. Instead, an impairment test must be carried out at least once a year to establish whether downward revaluation is necessary. The reviews of goodwill based on market values are to be carried out at business unit (cash generating unit) level. For the purposes of this rule, a business unit is an operating segment or one level below.

When the equity method is used for reporting, the shares in the company are initially recognised at acquisition cost. The carrying amount of the shares is then increased or reduced according to the shareholder's portion of the net income of the associate company for the period. The shareholder's portion of the profit or loss of the associate company is shown in its net income for the period. Dividends received by the associate company reduce the carrying amount of the shares.

Profits, losses, revenues, expenses and income within the Group, and accounts payable and receivable between the Group companies, are eliminated. Interests held by other shareholders are shown as a separate adjusting item under the equity capital.
In the case of ordinary partnerships, interests held by other shareholders are shown under borrowed capital.

Estimates and assumptions

Discretionary decisions must be made when applying the accounting and valuation policies. The points below describe the most significant assumptions made about the future, and other major sources of uncertainty existing at the reporting date with regard to estimates. On account of these there is a risk that a fundamental adjustment in the carrying amounts of assets and liabilities will be necessary within the next financial year:

- The fair values of assets and liabilities and the useful life of assets are calculated on the basis of assessment by the management, as is the impairment of property, plant and equipment as well as intangible assets and financial assets.

- There are bad debt provisions in order to make allowances for doubtful accounts arising from customers' inability or unwillingness to pay.

- Assumptions must also be made when calculating current and deferred taxes. The possibility of generating corresponding taxable income plays a particularly important role in assessing whether deferred tax assets can be used.

- The main estimated values in reporting and valuing pension provisions are discount factors, expected salary and pension trends, staff turnover and expected mortality.

Where the above uncertainties regarding valuations exist, the best available knowledge given the circumstances at the balance sheet date is used. The actual amounts may differ from the estimates. The carrying amounts that are included in the financial statements and are subject to these uncertainties can be found in the balance sheet or the corresponding explanations in the Notes.

At the time of compilation of the consolidated financial statements, no material changes in the assumptions forming the basis of the reporting and valuation are to be expected. In this respect no noteworthy adjustments to the assumptions and estimates or the carrying amounts of the affected assets and liabilities in the financial year 2009 are currently expected.

Currency conversion principles

Foreign currency business transactions in the individual financial statements of the companies are recognised at the exchange rate applicable at the time of the initial entry. Gains and losses from exchange rate fluctuations are recognised in the income statement. Conversion of the financial statements of international subsidiaries is carried out according to the concept of functional currency. Within the CANCOM Group, all non-German subsidiaries are economically independent, and therefore the relevant national currency of the subsidiary is the functional currency. The assets and liabilities are accordingly converted at the rate of exchange applicable on the reporting date, while equity capital is converted at the original rates. Income and expenditure are converted at the average rate for the year. Differences from the conversion rate on the reporting date in the previous year and between the net income for the year shown in the balance sheet and in the income statement are recognised directly in equity and shown separately under equity capital.

Currency	2009	2008	2007
Swiss francs			
Rate on reporting date	€ 1 = 1.484 SFR	€ 1 = 1.486 SFR	€ 1 = 1.656 SFR
Average rate	€ 1 = 1.510 SFR	€ 1 = 1.587 SFR	€ 1 = 1.643 SFR
British pound			
Rate on reporting date	€ 1 = 0.889 GBP	€ 1 = 0.960 GBP	€ 1 = 0.735 GBP
Average rate	€ 1 = 0.891 GBP	€ 1 = 0.796 GBP	€ 1 = 0.684 GBP

The currency translation differences recorded in the profits amount to € 1k in income. The currency translation differences shown in the financial year as a separate item under equity capital amount to € 45k (2008: loss of € 30k). At 31 December 2009 the reserves for currency translation amounts to € 279k (2008: € 324k).

Realisation of revenues

Revenues from sales of hardware and software are realised when ownership and risk passes to the customer, if payment is pre-arranged or determinable by contract and it is probable that the receivables relating to the sale will be recovered. Sales relating to the professional service segment are realised only after acceptance by the customer, or installation, if this is an essential condition for the initial operation of the product. Sales revenues are shown less cash discounts, price reductions, customer bonuses and rebates.

Service contracts in progress are recognised using the percentage of completion method in accordance with IAS 11. The stage of completion is calculated from the ratio between the costs at the balance sheet date and the estimated total costs, unless this would distort the representation of the stage of completion. If the outcome of a contract can be estimated reliably, revenues and costs are recognised at the balance sheet date in proportion to this stage of completion. If the outcome of a contract cannot be reliably estimated, revenue is recognised only to the extent that the costs incurred are likely to be recoverable. Regarding the sales revenues calculated using the POC method please see the explanations on Sheet 30.

Payments on an operating lease are recorded as expenses in the income statement using the straight-line method over the term of the lease contract, unless another systematic fundamental corresponds more closely to the changes in the benefit to the Company over the term. An operating lease is one in which not all major risks and opportunities are assigned to the lessee. The Company reviews all lease contracts at regular intervals to establish whether operating or finance lease terms apply.
In finance leases in which the Company is the lessee, the leases are recognised in the balance sheet at the beginning of the term of the lease as assets and liabilities of equal value. They are measured at the fair value of the leased asset at the beginning of the term of the lease or at the present value of the minimum lease payments, if this is lower.

In finance leases in which the Company is the lessor, the asset values of the lease are recognised in the balance sheet and presented as an account payable at the net investment value of the lease.

Leases in which the company is lessor	Minimum lease payments	Present value of the minimum lease payments	Minimum lease payments	Present value of the minimum lease payments	Minimum lease payments	Present value of the minimum lease payments	Financial income not realised	Totals minimum lease payments
	<1 year	<1 year	>1 <5 years	>1 <5 years	>5 years	>5 years		
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Operate Lease	76	0	73	0	0	0	0	149
Finance Lease	422	361	877	822	0	0	116	0

Leases in which the company is lessee	Carrying amount as of 31 Dec 2009	Minimum lease payments	Present value of the minimum lease payments	Minimum lease payments	Present value of the minimum lease payments	Minimum lease payments	Present value of the minimum lease payments	Total subleases	Recognised lease payments in 2009*
		<1 year	<1 year	>1 <5 years	>1 <5 years	>5 years	>5 years		
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Operate Lease	0	3,750	0	5,287	0	4,948	0	0	4,915
Finance Lease	703	258	219	517	483	0	0	969	0

*only minimum lease payments

In finance leases where the Company is the lessor, the total minimum lease payments amounts to € 1,299k, less the interest income of € 116k not yet fully realised, resulting in a total present value of € 1,183k.
In finance leases where the Company is the lessee, the total minimum lease payments amounts to € 775k, less the total discount of € 73k, resulting in a total present value of € 702k.

There are no options to extend or purchase with the above lease agreements. With the exception of the sale and lease-back agreement on the head office building, for which the rent payments are linked to the national consumer price index, there are no adjustment clauses. There are incidental costs in relation to this rental agreement, but there are no other restrictions in relation to the lease agreements that would affect dividends, additional liabilities or other lease agreements.

Interest income is accrued under the relevant period, taking into account the outstanding loan amount and the interest rate to be applied. The applicable interest rate is the interest rate that discounts the anticipated future cash inflows over the life of the financial asset with regard to the carrying amount of the asset. Dividend income from financial investments is recognised as soon as a shareholder becomes entitled to a dividend.

Earnings per share
Earnings per share are measured in accordance with IAS 33 Earnings per share. The basic earnings per share are calculated by dividing the consolidated net income less minority interest by the weighted average number of ordinary shares outstanding in the financial year.

Current assets
Inventories are valued at the lower of acquisition or manufacturing cost and market value (lower of cost or market) in accordance with IAS 2.9. Acquisition or manufacturing costs include direct materials costs and, where applicable, direct production costs as well as any overheads that have occurred in connection with the transfer of inventories to their current location and in order to bring inventories to their current condition. Acquisition and manufacturing costs are calculated according to the weighted average method and by individual valuation using the lower of cost or market method. The net realisable value is the estimated selling price less all estimated costs up to completion, and the costs for marketing, sales and distribution. Items with reduced marketability are valued at the lower net realisable value.

Where necessary, write-downs are made for overextending items, obsolescence and reduced marketability.

No interest on loans was capitalised under the manufacturing costs. Interest on loans was immediately recognised as expense.

The percentage of completion method is applied to orders in progress. Depending on the stage of completion, costs are recognised at the ratio between actual and estimated costs and revenue at the agreed contract revenue, in accordance with IAS 11.

Accounts receivable are shown at their net sale proceeds value, allowing for a write-down for receivables that may not be recoverable. Where the agreed interest rate for long-term receivables is less than the market rate, the nominal amount of the receivable is discounted. Trade receivables are not discounted. If a receivable is unlikely to be recoverable, the amount is written down.

Other assets are shown at their nominal values

Cash and cash equivalents include cash in banks and cash in hand, and cash deposits that are not subject to any considerable value fluctuation and can be turned into cash within a period of three months at most.

Prepaid expenses are accrued to charge expenses to their relevant accounting period, and are measured at their nominal value.

Sachanlagen
Property, plant and equipment are carried at acquisition or manufacturing cost less depreciation in accordance with IAS 16. They are depreciated over their useful lives using the straight-line method. Their recognition is based on the following useful lives:

Fixtures, fittings and equipment	3-13 years

Acquisition/manufacturing costs include expenditure directly attributable to acquisition. Subsequent acquisition/manufacturing costs are only recorded as a part of the acquisition/manufacturing costs of an asset or – where relevant – as separate assets if it is probable that the Group will obtain economic benefit from them in the future and the costs of the assets can be reliably determined. All other repair and maintenance costs are recorded as expense in the financial year in which they occur. The carrying amounts and useful lives are reviewed at every balance sheet date and adjusted where necessary. Low-value assets with acquisition or manufacturing costs of € 150 or less are written off in full as operating expenses in the year of their acquisition.

Asset values are written down when there is expected to be permanent impairment as a consequence of changed circumstances. At each balance sheet date assets are reviewed to look for any indication of impairment. If such indications are present, the company makes an estimate of the recoverable amount for the respective asset. The recoverable amount is the higher of the value in use of the asset and the fair value less costs to sell. To calculate the value in use, the estimated future cash flows are discounted to their present value, taking as a basis a discount rate before tax which reflects the current market expectations in terms of the interest effect and the specific risks of the asset. If the fair value can not be calculated reliably, the value in use of the asset is taken as the recoverable amount. If the carrying amount of an asset exceeds its recoverable amount, the asset is considered to be impaired and written down to its recoverable amount. If necessary the impairment charges are included in a separate expense item.

The need for partial or complete write-up is reviewed as soon as there are indications that the reasons for the depreciation carried out in the preceding financial years because of impairment no longer exist. A previously determined impairment charge must be derecognised if there has since been a change in the estimates used as a basis for calculating the recoverable amount. If this is the case, the carrying amount of the asset must be increased to its recoverable amount. This increased carrying amount must not exceed the carrying amount that would result after taking into consideration the depreciation if no impairment charge had been recorded in the earlier years. Such a write-up is immediately included in the result of the financial year. Once a write-up has been carried out, the provision for depreciation in future reporting periods is adjusted in order to distribute the adjusted carrying amount of the asset, less any residual carrying amount, systematically over its remaining useful life. There were no impairments in the year under review.

Intangible assets
In line with IAS 38, goodwill and other intangible assets acquired are recognised at acquisition cost and the estimated residual carrying amount is written down using the straight-line method over the expected useful life of the assets. Assets are written down uniformly throughout the Group using the straight-line method over the period in which the relevant company expects to benefit from the asset (generally three to five years). Goodwill from acquisitions and brand rights is not amortised. Instead, it is subject to an impairment test at least once a year (in line with IFRS 3 and IAS 36). IAS 38 distinguishes between intangible assets with finite lives and those with indefinite lives. Only intangible assets with finite lives are amortised, in contrast to intangible assets with indefinite lives. These are assessed for impairment at least once a year in accordance with IAS 36. With the exception of goodwill and trademark rights, all intangible assets have finite lives.

The costs of development activities are capitalised if the development costs can be calculated reliably, the product or the process is technically and economically realisable and future economic benefit is probable. The company must also have the intention and sufficient resources to conclude the development and to use or sell the asset.

Goodwill and first inclusion of acquired companies in the Group financial statements
Group companies are included in the consolidated financial statements by the acquisition method. Under this method the acquired company's assets, liabilities and contingent liabilities identified according to IFRS 3 are valued at their acquisition-date fair value, and the costs of the acquirer are balanced against these (purchase price allocation). The interest in the fair values of assets and liabilities not acquired is shown under minority interest.

The surplus of the costs over the value of the acquired equity capital is capitalised as goodwill and subsequently subjected to a regular annual impairment test at the end of each financial year. In line with IAS 36, goodwill is tested for impairment at reporting unit (cash generating unit) level, following segment reporting. In this process the carrying amounts of cash generating units are compared with the recoverable amount.

Financial assets
The financial assets are securities, equity investments and other loans. Financial assets are recognised and derecognised at the date of the transaction. Initial recognition of financial assets is at acquisition cost.

Financial assets are divided into the following categories:
- financial assets recognised at fair value through profit or loss,
- held-to-maturity investments,
- available-for-sale financial assets,
- loans and receivables.

The categorisation depends on the type and the intended use of the financial assets and is carried out at the time of addition.

Loans are categorised as loans and receivables. These are valued according to the effective interest rate method at carrying amounts less impairment.

Equity investments are assigned to the category of available-for-sale financial assets. If no market values can be calculated reliably the valuation is at the carrying amounts.

If there are objective, substantial indications of impairment of financial assets in the categories of loans and receivables, held-to-maturity investments or available-for-sale financial assets, a check is made to establish if the carrying amount exceeds the present value of the expected future cash flows which are discounted with the current market returns of a comparable financial asset. If this is the case, the asset is written down by the amount of the difference. Indications of impairment include a company's operating loss over several years, a fall in the market value, a significant deterioration in credit rating, a particular contract violation, a high probability of insolvency or another form of financial restructuring of the debtor.

If the reasons for impairment losses previously assessed no longer apply, corresponding write-ups are made – but not beyond the acquisition costs. No write-ups are carried out on available-for-sale equity securities, which are valued at carrying amounts.

Financial assets are derecognised when the contractual rights for payments from the financial assets expire or the financial assets are transferred with all major risks and opportunities.

Deferred taxes

Deferred taxes are included for the differences between the carrying amount of the assets and liabilities in the consolidated financial statements and the corresponding tax recognition in the calculation of taxable income, and are added to the balance sheet according to the asset and liability method. Deferred tax liabilities are included in the balance sheet for all assessable temporary differences. Deferred tax assets are included if it is likely that assessable profits are available for which the deductible temporary differences can be used. Deferred taxes are not recognised if the temporary differences are the result of goodwill.

The carrying amount of the deferred tax assets is checked each year at the reporting date and lowered if it is no longer likely that there is sufficient taxable income available to realise the claim.

Deferred taxes are calculated on the basis of the tax rates expected to apply at the time of the fulfilment of the liability or the realisation of the asset. The valuation of deferred tax claims and tax liabilities reflects the tax consequences that would arise from the way in which the Group expects to fulfil the liability or realise the asset at the balance sheet date.

Deferred tax claims and tax liabilities are balanced when there is an enforceable right to set off current tax claims with current tax liabilities and when they are associated with income taxes which are levied by the same tax authority.

Provisions and liabilities

Provisions for employee benefits mainly include performance-based pension obligations, which are determined on the basis of actuarial reports using the projected unit credit method and taking into account future increases in salary and pensions. Under defined contribution pension schemes, provisions are only made for value of contributions still outstanding at the reporting date. In the event of any unforeseen changes in pension obligations or plan assets, there may be actuarial gains or losses which are not recognised in the income statement. These accumulated gains or losses which have not yet been recognised in the income statement are recognised as income or expense if, at the beginning of the financial year, they exceed 10 percent of the value of the pension obligation or the plan assets, whichever is higher. (The 10 percent limit is known as the "corridor").

Other provisions are made where there is an uncertain current obligation arising from an event that occurred in the past with a legal or factual cause, which is expected to be claimed and which can be reliably quantified. The obligation is valued on the basis of best estimate, taking into account unit costs and overheads. General administrative, distribution and development costs are not taken into account.

Liabilities are recognised at their repayment value, which is equivalent to the current market value.

Utilised overdraft facilities are shown in the balance sheet as liabilities to banks under short-term financial liabilities.

B. Details of financial instruments

Classification of financial instruments

Financial assets and financial liabilities are grouped into different classes of financial instruments, in line with IAS 39 and IFRS 7. The categories are also presented in aggregated form.

	Category (IAS 39 und IFRS 7)	Carrying amount 31 December 2009	Fair Value 31 December 2009	Carrying amount 31 December 2008	Fair value 31 December 2008
Assets					
Cash and cash equivalents	LaR	25,836	25,836	18,282	18,282
Long-term investments	FAHT	157	157	129	129
Trade accounts receivable	LaR	47,191	47,191	44,175	44,175
Other financial assets	LaR	4,045	4,045	4,907	4,907
Other assets	LaR	3,002	3,002	1,909	1,909
Liabilities					
Short-term loans and current component of long-term loans	FLAC	707	707	1,800	1,800
Trade accounts payable	FLAC	47,852	47,852	39,257	39,257
Long-term loans	FLAC	5,194	5,194	5,014	5,014
Capital from profit-participation rights and subordinated loans	FLAC	12,784	12,784	11,571	11,571
Other financial liabilities	FLAC	3,649	3,649	3,754	3,754
Other liabilities	FLAC	10,696	10,696	11,009	11,009
Of which aggregated according to category (IAS 39):					
Loans and Receivables (LaR)		80,074	80,074	69,273	69,273
Held-to-Maturity Investments (HtM)		0	0	0	0
Available-for-Sale Financial Assets (AfS)		0	0	0	0
Financial Assets Held for Trading (FAHfT)		157	157	129	130
Financial Liabilities Measured at Amortised Cost (FLAC)		80,882	80,882	72,405	72,405
Financial Liabilities Held for Trading (FLHfT)		0	0	0	0

Cash and cash equivalents, trade accounts receivable and other receivables mainly have short remaining terms. Their carrying amounts at the balance sheet date are therefore roughly equivalent to their fair value.

In the same way, trade accounts payable and other liabilities usually have short remaining terms. The amounts recognised are roughly equivalent to their fair value.

The fair values of the securities are equivalent to the nominal values multiplied by the prices quoted at the balance sheet date.

The fair values of liabilities due to banks and other financial liabilities are calculated as the present values of the payments arising from the debts and on the basis of the effective interest rate method.

The effective interest rate is the interest rate that discounts the estimated future payments (including all fees and charges that are part of the effective interest rate, transaction costs and other premiums and discounts) over the expected life of the debt instrument, or a shorter period where applicable, to their carrying amounts at the time of their first inclusion in the financial statements.

The values shown in the balance sheet are approximately equal to the fair values.

No net gains or net losses from financial assets and liabilities as described by IFRS 7.20 have been recognised. Hedging instruments as defined by IFRS 7.22-23 were not used as at 31 December 2009.

Risk management

CANCOM's risk policy is geared towards the early identification of severe or serious risks that could endanger the future of the Company as a going concern, and aims to handle them in a responsible manner. To define and secure adequate risk controlling, the Executive Board has drawn up a risk policy and appointed a central risk officer who regularly monitors, measures and controls any risks that may emerge.

As part of CANCOM's risk analysis procedure, risks are regularly classified and valued according to the probability of their occurrence and their severity, and the information is then arranged in a risk matrix. All these risks become the responsibility of a special appointee. If the risks are quantifiable, they are measured with the aid of appropriately defined figures. If no precisely defined ratios are available, the risks are assessed by the person responsible.

For risks to the Company as a going concern, the system for early identification of risks includes the definition of early warning indicators. Changes or trends in these are continually monitored and discussed in risk management meetings. The regular risk management meetings between the Executive Board and the risk officer ensure the sustained and timely control of present and future risks.

Liquidity risk

CANCOM is exposed to liquidity risks to a small extent only, due to its strong equity position and the long-term nature of borrowed funds.

For a number of years CANCOM has been using a liquidity management system with daily monitoring of the changes in liquidity and assessment of the liquidity risks, with both short-term and long-term liquidity planning.

Short-term liquidity is guaranteed at all times by credit facilities and cash pooling. Long-term liquidity is safeguarded through long-term bank loans and ample equity. An important part of CANCOM's financing strategy is the employment of mezzanine capital, which is similar to equity, and subordinated loans. The terms of loans are deliberately dispersed over the time axis to spread the risk.

Early refinancing of financial liabilities minimises the liquidity risk. The maturities are shown in the following table:

	2010 €'000	2011 €'000	2012–2014 €'000	2015 and thereafter €'000
Trade accounts payable	47,852	0	0	0
Liabilities to banks	707	1,150	2,377	1,667
Capital from profit participation rights and subordinated loans	0	413	7,237	5,134
Other financial liabilities	3,646	0	0	0
Financial lease	234	242	249	0
Other financial liabilities	6,341	3,547	6,008	6,310
Interest expense	312	265	539	227

The Group has access to credit facilities totalling € 12,855k. The full amount not yet utilised as at the balance sheet date is € 11,550k. During the financial year 2009 there were no delays in interest payments and loan repayments within the Group.

Currency risk

As CANCOM concentrates its activities in the eurozone, the Group is exposed to a moderate currency risk. The units whose accounts are kept in other currencies account for less than 2 percent in total of the Group's equity.

CANCOM has a system of ongoing currency management. When payment dates are not precisely defined or postponed, currency transactions are prolonged for as long as possible and their size is estimated as precisely as possible on the basis of comparative figures from the past. The operating units are not allowed to take out loans or make investments in foreign currencies for speculative purposes. For funding or investments within the Group, preference is given to use of the functional currency or hedging. For currency transactions involving sums in excess of € 100k there is an approval system where hedging decisions are taken on an individual basis.

At 31 December 2009, the carrying amount of the Group's monetary assets and liabilities in foreign currencies is as follows:

	31 Dec 2009	31 Dec 2008
Assets in GBP	1,938	2,099
Liabilities in GBP	1,238	1,527
Assets in CHF	0	2
Liabilities in CHF	1	1,250
	699	-676

Interest risk
Due to the largely long-term nature of its funding, CANCOM is not exposed to any serious interest risks. In the past, fluctuations in interest rates have had only minimal effects on the net income for the year. CANCOM's strong equity position also gives the Group access to credit at favourable rates.

There is a risk management system in place to optimise interest risks. This involves continual observation of market interest rates and the rates paid by the Group, and also maintaining constant contact with banks. Master loan agreements provide for interest rates to be adjusted. Concrete plans for interest hedges only exist in the case of heavy fluctuation.

Default risk
There is a credit risk for CANCOM in that the value of the assets could be impaired if transaction partners do not comply with their obligations. To minimise the credit risks, deals are concluded only subject to predetermined risk limits.

The default risks are the prevailing market risks; these are allowed for by appropriate provisions. The Group is not subject to any material default risks of a contract party or a group of contract parties with similar characteristics. The Group defines contract parties as having similar characteristics if they are related companies. In view of the financial market crisis, the internal guidelines for credit insurance and for the issuing of credit limits have been stepped up.

The maximum theoretical default risk for the categories shown above is equal to the carrying amounts. With the exception of the foreign currency hedging mentioned above, the Group has no other securities that would reduce the default risk.

Market risks
Sensitivity analyses are conducted for currency risks, and interest risks are then quantified.

Currency risk
Currency risks arise particularly when there are, or will be, receivables, liabilities, cash and cash equivalents, and planned transactions in a currency other than the domestic currency of the Company.

One of the currency risks the Group is exposed to is the exchange rate risk of the currencies of the United Kingdom (GBP) and Switzerland (CHF). The sensitivity analysis covers only outstanding monetary items in non-domestic currency and adjusts their conversion at the period end according to a 5 percent change in the exchange rates.

A rise of 5 percent in the value of the euro against the pound sterling would result in a change in equity capital of € 35k and in EBIT of € 7k.

A rise of 5 percent in the value of the euro against the Swiss franc would result in a change in equity capital of € 9k, but no change in EBIT.

Interest risk
All interest risks that the Group is exposed to depend on its results. They only arise when the company achieves positive results.

There is an interest risk with the mezzanine capital obtained from Bayern Mezzaninekapital GmbH & Co. KG. If the actual EBITDA reported reaches at least 50 percent of the planned EBITDA, the provider of the mezzanine capital will be paid 1 percent per annum as earnings-related remuneration. The additional interest payments are € 40k per annum. As the loan runs until December 2015, the maximum overall risk is € 280k.

The Group has entered an agreement concerning profit participation rights in connection with the subordinated Preferred Pooled Shares, or PREPS. This involves an obligation to give the provider of the capital a share of the profits in the form of an increased interest rate. The Company must pay 1 percent per annum on reaching a net income for the year of € 7 million, essentially adjusted to take account of PREPS interest payments, and 2 percent per annum on reaching € 14 million. The risk at 1 percent amounts to € 60k per annum and € 120k per annum at 2 percent. As the agreement runs until December 2012, the maximum overall risk is € 360k.

Financial market risk
CANCOM IT Systeme Aktiengesellschaft's risk manual was reviewed in 2009 to take into account any risks arising from the financial market crisis. A major objective of the Company is to acquire, hold and sell equity investments in companies, as well as to engage in activities connected with raising capital.

Dealing in financial instruments and structured products is not a core business of the Company, and is only used – if at all – as a means of safeguarding sound underlying transactions, such as currency hedging. At the balance sheet date CANCOM IT Systeme Aktiengesellschaft did not hold any securities or structured products, with the exception of trust assets for old-age pensions.

Only the Executive Board and the Finance Director are authorised to purchase or sell structured products from or to banks, and the cross-checking principle must be followed. No inexperienced person can carry out transactions of this kind.

C. Notes to the consolidated balance sheet

1. Cash and cash equivalents

Cash and cash equivalents consists exclusively of cash in banks payable on demand and cash in hand.

2. Assets held for sale

In 2008 the Company intended to sell CANCOM Ltd. UK, and all the assets of the company were therefore shown under assets held for sale. As at 31 December 2009 it is no longer planned to sell the company.

3. Trade accounts receivable

The trade accounts receivable are as follows:

	31 Dec. 2009 €'000	31 Dec. 2008 €'000
Accounts receivable before write-downs	47,518	44,412
Write-downs	327	237
Carrying amount of accounts receivable	47,191	44,175

The accounts receivable are written down uniformly throughout the Group, depending on their age structure.

Group receivables are written down taking into account contractually agreed retentions for merchandise credit insurance on the basis of the assessment as to whether legal proceedings will be necessary, or on the basis of the most positive outcome to be expected regarding defaults.

Generally, all Group receivables that are more than two years old are fully written off. There were no receivables which are more than two years old at the reporting date.

Receivables that are more than one and less than two years old were written down by approximately 50 percent. At the reporting date, the value of these receivables was less than 1 percent of total receivables.

Before taking on a new customer the Group uses a system of external credit scoring to assess the credit rating of potential customers and to set their credit limits. The credit ratings of customers and their credit limits are reviewed annually.

When calculating the impairment of trade accounts receivable, every change in credit rating is taken into account, from the time the credit was granted up to the balance sheet date. There is no significant concentration of credit risk because the customer base is broad and there is no correlation. The management therefore believes that no provision for risks is necessary beyond the impairments already included.

The impairments include individually adjusted trade accounts receivable totalling € 56k (2008: € 17k) where insolvency proceedings have been instituted against the debtors. The impairment included is the difference between the carrying amount of the receivable and the present value of the anticipated liquidation proceeds. The Group has no security for these balances.

There were no impairments for trade accounts receivable totalling € 9,131k (2008: € 13,065k) which were due at the reporting date because no major change in the credit rating of these debtors was established and the outstanding amounts are expected to be paid. The accounts receivable that were due at the reporting date included invoices that were payable immediately without reduction.

The fair value of the trade accounts receivable is equal to the carrying amount. Additions in the financial year are posted in the income statement under other operating expenses, while reversals are shown under other operating income.

The trade accounts receivable are due within a year.

4. Other current financial assets

This item includes bonuses due from suppliers (€ 1,957k; 2008: € 2,352k), a claim to the payment of a purchase price (€ 361k; 2008: € 202k), receivables from employees (€ 171k; 2008: € 226k), claims in respect of loans (€ 168k; 2008: € 223k), receivables due from suppliers for returned goods (€ 159k; 2008 € 301k), marketing revenue (€ 146k; 2008: € 231k), creditors with a debit balance (€ 139k; 2008: € 396k), property, plant and equipment classified as held for sale (€ 75k; 2008: € 0); and receivables from former shareholders (€ 47k; 2008: € 210k).

5. Inventories

Inventories consist almost exclusively of merchandise, particularly hardware components and software. Most of it is stored at the logistics centre in Jettingen-Scheppach, Germany.

Inventories consist of the following (company-specific breakdown):

	31 Dec. 2009 €'000	31 Dec. 2008 €'000
Finished products and goods	12,588	10,050
Down-payments rendered	1	30
	12,589	10,080

The cost of goods, raw materials and supplies in the financial year 2009 was € 284,087k.

Inventories were written down by € 540k in 2009 (2008: € 611k) owing to overextending items, obsolescence and reduced marketability.

There are no inventories that will be converted into cash in a period of more than 12 months.

6. Orders in process

The orders in process are orders calculated according to the percentage of completion method. They amount to € 1,035k (2008: € 1,338k) less down-payments of € 45k (2008: € 198k). The costs accumulated for current projects as at the balance sheet date amounted to € 946k. Gains resulting from current projects as at the balance sheet date totalled € 89k.

7. Prepaid expenses, deferred charges and other current assets

This item mainly consists of other current assets such as a receivable arising from a copyright levy (€ 1,774k; 2008: € 1,429k) (see comments under B. 10 Other provisions), tax refunds (€ 357k; 2008: € 358k), compensation damages (€ 267k; 2008: € 0), accounts receivable from insurance companies (€ 233k; 2008: € 0) (2008: € 199k shown under loans) and receivables from the German Federal Employment Agency (€ 141k; 2008: € 13k).

The prepaid expenses and deferred charges (€ 459k; 2008: € 248k) also include deferred insurance premiums.

8. Non-current assets (fixed assets)

Changes in and the composition of fixed assets in 2009 are shown in the consolidated statement of changes in non-current assets (see page 44-45).

8.1 Property, plant and equipment

Property, plant and equipment mainly consists of the equipment necessary for the logistics centre (€ 773k), and the data centre (€ 424k). Computer equipment, tenant's fittings and office furnishings and equipment are also shown under this item.
Cars valued at € 895k were pledged as security for the loans from Stadtsparkasse Augsburg.

8.2 Intangible assets

The intangible assets include purchased software (€ 695k; 2008: € 568k), capitalised development costs (€ 945k; 2008: € 0), brand rights (€ 1,756k; 2008: € 1,756k), customer list (€ 3,308k; 2008: € 2,178k) and orders received (€ 26k; 2008: € 42k).
Trademark rights were acquired in connection with the acquisition of Home of Hardware GmbH & Co. KG.

The customer list and the orders received originate mainly from acquisitions made in previous years; they are written down to their expected useful lives.

8.3 Goodwill

Goodwill at the balance sheet date mainly includes the relevant figures arising from the inclusion in the consolidated financial statements of CANCOM Deutschland GmbH (€ 11,426k; 2008: € 11,469k), CANCOM SYSDAT GmbH (€ 4,543k; 2008: € 4,557k), CANCOM IT Solutions GmbH (€ 3,446k; 2008: € 3,396k), CANCOM NSG GmbH (€ 2,568k; 2008: € 2,568k), CANCOM a + d IT solutions GmbH (€ 1,459k; 2008: € 1,737k) and CANCOM Ltd. (€ 1,310k; 2008: € 1,366k). In 2008, the goodwill from CANCOM Ltd. was recognised under assets held for sale. As a result of CANCOM Ltd.'s performance, the goodwill was written down by € 56k in 2009. The expense is shown in the statement of comprehensive income under amortisation and allocated to the operating segment e-commerce/trade in the segment report.

The Group checks these figures once a year using valuation policies based on discounted cash flows. These discounted cash flows are themselves based on five-year forecasts which are based on finance plans approved by the management. The cash flow forecasts take into consideration the experiences of the past and are based on management assessment of future trends. The cash flow forecasts are based on the sales forecasts of the individual companies. The sales forecasts for the larger companies in the Group in 2010 vary between a decline of 0.95 percent (for CANCOM NSG GmbH) and growth of 21.27 percent (HoH Home of Hardware GmbH). The forecasting process differentiates between sales budgets in the hardware and services businesses and to a certain degree it takes into account the theory that where sales revenues suffered a decline owing to extraordinary influences in financial 2009, they will grow proportionately more rapidly in subsequent periods. For the years 2011 to 2013, it is assumed that the trend in sales revenues will range between a decline of 6.69 percent and growth of 9.58 percent. The CANCOM Group therefore expects to experience some extraordinary growth compared with the rest of the IT sector and the market, where hardware sales are expected to fall by 1.5 percent, and software sales are expected to grow by 0.5 percent (figures from BITKOM for the German IT market in 2010).

Cash flows outside the planning period are extrapolated without growth rates. The most important assumptions on which the calculation of the fair value less the costs to sell and the value in use is based are as follows:

Risk-free interest:	3.28 %
Market risk premium:	4.00 %
Beta coefficient	1.35 %
Capitalisation interest rate:	9.41 %
Input tax-WACC:	13.44 %

These premises and the underlying methodology may have a considerable effect on the respective values and ultimately on the amount of a possible impairment of the goodwill.

The management feels it is unlikely that any change in the basic assumptions on which the calculation of the recoverable amount is based would result in the carrying amount of the cash-generating unit exceeding its recoverable amount.

The item contains variable purchase price components of € 177k (2008: € 411k). The variable purchase price depends on certain conditions and will only be due for payment (should the conditions arise) in the years to come.

8.4 Loans

In 2008 the loans included the asset value from reinsurance, amounting to € 199k. Since there is no longer any pension commitment to Executive Board members, the insurance will be paid out in the financial year 2010. It is shown under other current assets.

9. Deferred tax assets

The deferred tax assets are as follows:

Deferred tax resulting from	Temporary differences €'000	Tax loss carryforward €'000
As at 1 January 2009	394	2,088
Inflow from capitalisation	0	328
Tax expenditure from profit and loss calculation	–57	–192
Tax saving from profit and loss calculation included in discontinued operations	1	
As at 31 December 2009	**338**	**2,224**

As at 31 December 2009, the CANCOM Group had corporation tax loss carryovers of € 14.4 million (2008: € 8.4 million) and trade tax loss carryovers of € 10.5 million (2008: € 5.5 million). The unused corporation tax losses for which no deferred tax claim was recognised in the balance sheet amounted to € 6.4 million (2008: € 0.8 million), and the trade tax loss carryovers for which no deferred tax claim was recognised amounted to € 5.0 million (2008: € 0).

The deferred taxes from temporary differences are the result of differences in goodwill (€ 181k), other provisions (€ 105k) and intangible assets (€ 52k).

10. Short-term loans and current component of long-term loans

This item shows liabilities to banks. These comprise the utilisation of credit facilities provided by banks, and those parts of long-term loans that are due for repayment within one year.

11. Other current financial liabilities

This item includes liabilities to former shareholders of a subsidiary (€ 1,412k; 2008: € 0), debtors with a credit balance (€ 681k; 2008: € 1,069k) outstanding bills of charges (€ 654k; 2008: € 1,061k), purchase price liabilities (€ 376k; 2008: € 382k) and Supervisory Board remuneration (€ 35k; 2008: € 35k).

12. Other provisions

The other provisions changed as follows during 2009:

	01 Jan. 09 €'000	Add. first consolidation €'000	Used €'000	Reversal and transfer €'000	Addition €'000	31 Dec 09 €'000
Copyright levy	1,429	0	0	0	345	1,774
Guarantees and warranties	675	60	7	0	427	1,155
Prices for shares in affiliated companies	368	0	0	312	845	901
Serverance payments and salaries	765	0	255	3	210	717
Additional leasing costs	261	0	82	22	87	244
Costs of financial statements	194	38	193	1	160	198
Contingent risks	203	36	77	0	0	162
Social security contributions and tax on wage	29	0	28	0	7	8
Legal and consultancy costs	22	0	4	18	2	2
Maintenance	0	0	0	0	0	0
	3,946	134	646	356	2,083	5,161

The total provisions include long-term provisions of € 1,256k (2008: € 1,316k), which are disclosed under other non-current liabilities. They are mainly a provision for guarantees and warranties (€ 579k; 2008: € 377k), a provision for severance payments which are legally mandatory in Austria (€ 347k; 2008: € 411k), anniversaries (€ 141k; 2008: € 165k), additional leasing costs (€ 77k; 2008: € 0) and contingent risks (€ 50k; 2008: € 127k). In 2008, there was also a long-term provision for the price paid for shares in affiliated companies (€ 184k).

A claim is being made against a subsidiary of the Company by the German Central Agency for Private Copying Rights (Zentralstelle für Private Überspielrechte, ZPÜ) for payment of a copyright levy for the financial years 2002 to 2009. A supplier has issued an exemption certificate in relation to all costs in connection with these claims. The Executive Board and legal advisors of the Company therefore do not expect any expenses to arise from this legal dispute.

An amount of € 1,774k is included under other provisions relating to the above claim, which is offset by another asset of the same amount.

13. Income tax liabilities

Income tax liabilities mainly consist of obligations for 2008 and 2009.

14. Other current liabilities

Other current liabilities mainly include sales tax (€ 3,425k; 2008: € 3,927k), bonus payments to Board members and employees (€ 2,781k; 2008: € 2,180k), tax on wages and salaries and church tax (€ 1,184k; 2008: € 1,108k), holiday and overtime entitlements (€ 741k; 2008: € 1,175k), trade association payments (€ 436k; 2008: € 421k), wages and salaries (€ 340k; 2008: € 244k), compensation levy for non-employment of the severely handicapped (€ 167k; 2008: € 176k) and social security contributions (€ 75k; 2008: € 95k).

15. Long-term loans

Long-term loans consist purely of liabilities due to banks with a remaining term of at least one year. The part of these loans that is due for repayment within the next twelve months is shown under short-term loans and current component of long-term loans.

The loans from Stadtsparkasse Augsburg are valued by the effective interest rate method. Subsidies from Germany's public owned development bank (KfW) for the loans are distributed over the term. The market interest rate is between 5.37 percent and 5.53 percent.

16. Capital from profit-participation rights and subordinated loans

Capital from profit-participation rights and subordinated loans includes profit-participation rights of € 6,000,000 (PREPS 2005-1 and PREPS 2005-2), mezzanine capital of € 3,929,374.08 (loan proceeds € 4,000,000) (Bayern Mezzaninekapital GmbH & Co. KG), and subordinated loans of € 1,650,000 (Sparkasse Günzburg-Krumbach), € 1,010,536.19 (loan proceeds € 1,995,600) (Stadtsparkasse Augsburg), € 194,353.44 (loan proceeds € 392,500) (Stadtsparkasse Augsburg). The mezzanine capital and the subordinated loans from Stadtsparkasse Augsburg are valued by the effective interest rate method. By this method, the fees for the mezzanine capital and the interest rate advantage from Germany's publicly owned development bank (KfW) for the loans from Stadtsparkasse Augsburg are distributed over the term. The market interest rate is 10 percent.

The € 3,000,000 portion of the profit-participation rights designated as PREPS 2005-2 was granted under a contract dated 1 November 2005. The capital was paid on 8 December 2005. The profit-participation rights expire on 8 December 2012. There is no participation in the Company's losses. Claims arising from the profit-participation right are ranked below the claims of all current and future creditors, so that in the event of the liquidation or insolvency of the Company they are subordinate to the claims defined in Section 39, paragraph 1, number 4 of the German Insolvency Statute (Insolvenzordnung, InsO), and are therefore only to be satisfied after these and any higher-ranking claims have been satisfied in full, but before the claims defined in Section 39, paragraph 1, number 5 of the above Statute.

In line with the resolution of the general meeting of shareholders of 2005 authorising the Executive Board to grant profit-participation rights, the € 3,000,000 portion (PREPS 2005-1) recognised as a subordinated loan at 31 December 2005 was converted to profit-participation rights.

The conversion became effective from the interest-rate period beginning on 4 May 2006. The profit-participation rights expire on 4 August 2012. There is no participation in the Company's losses. With regard to the ranking of any claims arising from these profit-participation rights, the same applies as to the profit-participation rights designated as PREPS 2005-2 above.

Mezzanine capital of € 4,000,000 (loan proceeds) was granted under a mezzanine capital agreement of 27 December 2007 between CANCOM IT Systeme Aktiengesellschaft and Bayern Mezzaninekapital GmbH & Co. KG. The funds were paid out on 31 December 2007. The mezzanine capital is due for repayment in full no later than 31 December 2015 and attracts interest at a fixed rate of 6.6 percent per annum. If the actual reported EBITDA reaches at least 50 percent of the planned EBITDA, the providers of the mezzanine capital will be paid 1 percent per annum as an earnings-linked remuneration. Claims under the mezzanine capital agreement are subordinate to the claims of all present and future creditors in that the providers of the mezzanine capital may not demand the satisfaction of their claims during the time that the company is in crisis in the meaning of Section 32a of the German Limited Liability Company Act (Gesetz betreffend die Gesellschaften mit beschränkter Haftung, GmbhG) or if the enforcement of the claims would lead the Company into a crisis in the meaning of Section 32a of the above Act. During such a crisis these subordinated claims rank after the claims of other creditors, in accordance with Section 39, paragraph

1, number 5 and Section 39, paragraph 2 of the German Insolvency Statute (Insolvenzordnung, InsO).
The loan from Sparkasse Günzburg-Krumbach was taken out on 28 March 2003 and attracts interest at a rate of 6.67 percent per annum. The loan will be repaid from 30 September 2011 in four half-yearly instalments of € 412,500.

A loan of € 1,995,600 from Stadtsparkasse Augsburg was granted in tranches of € 1,500,000 on 23 September 2009 and € 495,600 on 8 December 2009. Interest of 4.25 percent per annum is payable on the loan. This is a specific-purpose loan out of funds from Germany's publicly owned development bank, KfW. Repayment, in 12 quarterly instalments of € 166,300, will commence on 30 December 2016.

A further loan of € 392,500 from Stadtsparkasse Augsburg was granted on 8 December 2009. This is another specific-purpose loan from KfW, on which the annual rate of interest is 4 percent. Repayment will commence on 30 December 2016, with payment of 11 quarterly instalments of € 32,709 followed by a final instalment of € 32,701.

17. Prepaid expenses and deferred charges
In addition to deferred revenues, this item includes deferrals for government grants. The deferrals for government grants comprise the subsidies of € 1,500k by way of interest rate advantages from KfW. They are distributed over the term of the loans from Stadtsparkasse Augsburg (see comments under D.3. Other operating income).

18. Deferred tax liabilities
The deferred tax liabilities are as follows:

	€'000
As at 1 January 2009	1,287
Additon from deferred tax liabilities	525
Profit and loss account tax expenses	155
As at 31 December 2009	**1,967**

The deferred tax liabilities arise from deviations from the tax balance sheets. They are the result of the revaluation of intangible assets (€ 1,899k), orders in process (€ 27k), capital from profit-participation rights and subordinated loans (€ 22k), property, plant and equipment (€ 6k) and other provisions (€ 13k).

They are recognised at an individual tax rate of between 25 percent (for the Austrian subsidiary) and 32.98 percent.

19. Pension provisions
This item exclusively comprises provisions for pensions of other employees (€ 26k; 2008: € 38k) based on defined benefit obligations, which were assumed as a result of an acquisition.

In 2008 the pension provisions also included provisions of € 112k for a member of the Executive Board. The pension commitment was terminated at the request of the Executive Board member and settlement arranged. This is shown under other current liabilities.

The pension obligations for pension schemes in Germany are basically measured according to the number of years of service and the remuneration of the employees in question.

An actuarial loss of € 14k has already been recorded in the balance sheet.

Changes in the benefit obligation and the asset value of the funds for the defined benefit schemes are as follows:

	2009 €'000	2008 €'000
Changes in pension obligation		
Defined benefit obligation as at 1 January	150	168
Service cost: present value of claimgs accrued in report year	8	8
Actuarial gain	18	–35
Interest cost	9	9
Release of pension obligations	-159	0
Defined benefit obligation as at 31 December	**26**	**150**

	2009 €'000	2008 €'000
Change in plan assets		
Fair value of plan assets as at 1 January	199	182
Actual return on plan assets	10	9
Expected return on plan assets	10	9
Employer's contributions	8	8
Release/addition to plan assets	-227	-9
Fair value of plan assets as at 31 December	**0**	**199**
Excess in fund = balance sheet amount	26	–49
Composition:		
Provisions for pensions	26	150
Other loans	0	–199
	26	**–49**

Below are the changes over time in the present value of the defined benefit obligation and the fair value of the plan assets:

	12/31/09 €'000	12/31/08 €'000	12/31/07 €'000	12/31/06 €'000	01/01/06 €'000
Defined benefit obligation	26	150	168	201	343
Fair value of plan assets	0	199	182	83	157

Computation of the actuarial pension scheme obligations was based on the following assumptions:

	2009 %	2008 %
Interest rate	6.00	6.50
Expected return on plan assets	5.00	5.00
Salary trend	0.00	0.00
Pension trend	2.00	2.00
CANCOM NSG GmbH staff turnover	5.00	0.00

The total cost of the pension schemes according to IAS 19 consists of the following:

	2009 €'000	2008 €'000
Current service costs	8	8
Actuarial gain	14	–35
Interest costs	9	9
Expected return on plan assets	–10	–9
	–21	**–27**

20. Other non-current financial liabilities

Other non-current financial liabilities refers to purchase price liabilities of € 491k.

21. Equity capital

Changes in the equity capital are shown in Annex 4.

Share capital

The Company's share capital at 31 December 2009 was € 10,390,751, divided into 10,390,751 notional no-par-value shares.

Authorised and conditional capital

In conformity with the articles of association, the Company's authorised share capital as at 31 December 2009 totalled € 4,000,000, subdivided as follows:

A resolution passed at the general meeting of shareholders of 25 June 2008 authorises the Executive Board to increase the share capital once or repeatedly by up to a total of € 1,000,000 by issuing up to 1,000,000 new notional no-par-value bearer shares against cash contributions. The capital increases must be carried out by 24 June 2013 and are subject to the approval of the Supervisory Board.

The Executive Board is authorised to rescind the shareholders' statutory subscription rights in the following cases, subject to the approval of the Supervisory Board:

a) for fractional amounts,

b) if the capital increase is in exchange for cash and the proportion of the share capital accounted for by the new shares, for which subscription rights are excluded, is not greater than 10 percent of the share capital existing at the time the new shares are issued; and if the issue price of the new shares is not significantly lower than the stock market price of the shares of the same securities class and nature that are already quoted when the price is finally determined by the Executive Board, as laid down by Section 203, paragraphs 1 and 2, and Section 186, paragraph 3, sentence 4 of the German Stock Companies Act (Aktiengesetz, AktG). When the 10 percent threshold is calculated, the proportion of the share capital that is accounted for by new or repurchased shares that have been issued or sold since 25 June 2008 with the simplified exclusion of pre-emptive rights in line with Section 186, paragraph 3, sentence 4 of the German Stock Companies Act must be taken into account, as well as the proportion of the share capital relating to option and/or conversion rights or obligations from bonds which have been issued since 25 June 2008 in compliance with Section 186, paragraph 3, sentence 4 of the German Stock Companies Act.

The Executive Board, with the agreement of the Supervisory Board, will decide on the nature of the relevant rights conferred by the shares and the other conditions of the share issue (Authorised Capital 2008/II).

In addition, on the basis of a resolution of the general meeting of shareholders of 22 June 2005, the Executive Board is authorised to increase the share capital by a maximum of € 3,000,000 in one or more stages by issuing up to 3,000,000 new notional no-par-value bearer shares in exchange for cash contributions or contributions in kind. The capital increases require the approval of the Supervisory Board and must be carried out by 20 June 2010. Shareholders have been granted subscription rights, which may be rescinded in the event of a capital increase through non-cash contributions in connection with the acquisition of an equity investment or of parts of other companies. The Executive Board is also authorised, subject to the agreement of the Supervisory Board, to exclude fractional amounts from the shareholders' subscription right. The Executive Board, with the agreement of the Supervisory Board, will decide on the nature of the relevant rights conferred by the shares and the other conditions of the share issue (Authorised Capital 2005/III).

In accordance with the articles of association, the conditional capital at 31 December 2009 amounted to € 5,000,000. The details of the conditional capital are as follows:

The share capital is increased conditionally by up to € 5,000,000 through the issue of up to 5,000,000 new notional no-par-value shares. The conditional increase in capital will only be implemented to the extent that the holders of bonds, which the Executive and Supervisory Boards have been authorised to issue up to 24 June 2013 by resolution of the general meeting of shareholders of 25 June 2008, exercise their conversion rights/obligations or their option rights. The new shares will be issued at an option exercise price or conversion price to be determined in accordance with the above resolution. The new shares will carry dividend rights from the beginning of the financial year for which, at the time of their issue, no resolution of the general meeting of shareholders has been passed on the appropriation of the net income for the year. The Executive Board is authorised to determine the other details for the implementation of the conditional capital increase with the approval of the Supervisory Board.

The Executive Board did not exercise these powers in the financial year 2009.

The Executive Board is not aware of any restrictions on voting rights or on the transfer of shares.

Purchase of the Company's own shares

At the general meeting of shareholders of CANCOM IT Systeme AG on 24 June 2009 the Company was given authorisation to buy its own shares up to a value of € 1,000,000, or just under 10 percent of the share capital of € 10,390,751 as at 24 June 2009. The authorisation may be exercised up to 31 December 2010.

The authorisation took effect on 1 July 2009. It replaced the resolution made in the general meeting of shareholders held on 25 June 2008 and may be exercised up to 31 December 2010. The authorisation resolved by the general meeting of shareholders of 25 June 2008 ended as soon as the new authorisation became effective.

According to the resolution, the Company can purchase its own shares for the following purposes: to enable it to offer shares in the Company to third parties in connection with a business combination or in connection with the acquisition of a company or parts of a company or equity investments in a company; to enable it to offer and transfer shares to entitled parties in fulfilment of the Company's obligations from the issue of convertible bonds and/or option bonds, as authorised by general meeting of shareholders held on 25 June 2008; or to call in the shares.

The authorisation is limited to the purchase of shares with a value not greater than € 1,000,000, i.e. less than 10 percent of the share capital of € 10,390,751 existing at 24 June 2009. At no time may the purchased shares, together with other treasury shares held by the Company or that are attributable to it in accordance with Section 71 a ff of the German Stock Companies Act, account for more than 10 percent of the share capital. The authorisation may be exercised as a whole or in several tranches within the above limits.

The shares may only be purchased on the stock exchange.
The price per share paid by the Company (excluding incidental costs) may not exceed or undercut by more than 5 percent the opening price on the trading day in the Xetra trading system (or a comparable replacement system) operated by FWB Frankfurt Stock Exchange.

The Company bought back 51,319 of its own shares in the financial year 2009. As at 31 December 2009, the Company's holding of its own shares was 51,319 (nominally valued at € 51,319) with a book value of € 164,602.01.

Change in the number of shares outstanding:

	Number of shares
Number of shares outstanding as at 31 Dec 2008	10,390,751
less purchased own shares in 2009	-51,319
Number of shares outstanding as at 31 Dec 2009	10,339,432

During the financial year 2010, the Company bought back 23,010 of its own shares by 25 January. As at 25 January 2010, the Company's holding of its own shares was 74,329.

22. Minority interests

Minority interests concern the share of the equity held by the minority shareholders of acentrix GmbH.

23. Capital risk management

The Group manages its capital with the aim of maximising the return to stakeholders through the optimisation of the debt and equity balance. It is ensured that all entities in the Group can operate under the going concern premise. The capital structure of the Group consists of debt, cash and the equity attributable to equity holders of the parent. This comprises issued capital, retained earnings, other reserves, currency translation differences and minority interests.

The goals of the capital management are to ensure that the Group will be able to continue as a going concern and to obtain an adequate interest rate for the equity. For implementation the Group balances its capital and the overall capital structure.

The capital is monitored on the basis of the economic equity. The economic equity is the balance sheet equity. The borrowed capital is defined as current and non-current financial liabilities, provisions, liabilities connected with disposals, prepaid expenses and deferred charges, and other liabilities.

The equity in the balance sheet and the balance sheet total are as follows:

		12/31/2009	12/31/2008
Equity	€'000	43.9	38.9
Equity capital as a percentage of the total capital	%	32.5	32.2
Borrowed capital	€'000	91.0	81.8
Borrowed capital as a percentage of the total capital	%	67.5	67.8
Total capital (equity and borrowed capital)	€'000	134.9	120.7

The Group's risk management committee reviews the capital structure at regular intervals.

D. Notes to the consolidated income statement

For better comparison, the figures given below for 2008 have been adjusted in line with IFRS 5.36. The profit and loss items of the company no longer classified as held for sale are no longer shown as a loss from discontinued operations. For more details please see section D. 9. Discontinued operations.

1. 1.Segment information (see page 42-43)

Segment information is disclosed according to IFRS 8 Operating Segments for the first time. The segment information is based on the segmentation used for internal control purposes (management approach). The Group reports on two operating segments – e-commerce/trade, and IT solutions.

Description of the segments subject to mandatory reporting
The e-commerce/trade operating segment includes CANCOM Deutschland GmbH, HOH Home of Hardware GmbH, CANCOM Computersysteme GmbH, CANCOM a + d IT solutions GmbH, CANCOM (Switzerland) AG, CANCOM Ltd. less the cost centres allocated to CANCOM IT Solutions GmbH. The operating segment mainly comprises the transaction-focused activities of the Group based on online, catalogue, telephone and direct sales.

The IT solutions operating segment includes CANCOM NSG GmbH, CANCOM SYSDAT GmbH, CANCOM physical infrastructure GmbH, Novodrom People Value Service GmbH, acentrix GmbH, CANCOM Service Center Süd GmbH, NSG Datacenter Services GmbH, CANCOM IT Services GmbH, CANCOM IT Solutions GmbH and the cost centres of CANCOM Deutschland GmbH allocated to it. This operating segment offers complete IT infrastructure and applications support. The range of services includes IT strategy advice, project planning and implementation, system integration, maintenance, training, and numerous IT services, including running entire IT departments.

Other companies consists of the parent company, CANCOM IT Systeme Aktiengesellschaft and CANCOM Financial Services GmbH (from its first inclusion in the consolidated accounts on 8 December 2009). CANCOM IT Systeme Aktiengesellschaft performs the staff or management function. As such, it provides a range of services for its subsidiaries. The costs of central management of the Group and investments in internal Group projects also fall within this company.

Basis of valuation of the profits and assets of the segments
The accounting methods used for internal segment reporting are in line with the accounting policies described in Section A. 4. The only differences arise from the translation of foreign currency and these give rise to slight deviations between the data for internal reporting and the relevant disclosures for the external presentations of financial statements.

Internal sales are recorded on the basis of either their cost or their current market prices, depending on the type of service or product sold.

Reconciliation
Reconciliation shows items not directly connected with the operating segments and the other companies. They include sales within the segments, and the income tax expense.
The income tax expense is not a component of the profits of the operating segments. Since the tax expense is allocated to the parent company where the parent company is the taxable entity, the allocation of the income tax does not exactly correspond to the structure of the segments.

Information on geographical regions

	Sales revenue according to customer location		Sales revenue according to company location	
	2009 €'000	2008 €'000	2009 €'000	2008 €'000
Germany	379,860	316,094	386,098	322,173
Outside Germany	42,618	48,053	36,380	41,974
Group	422,478	364,147	422,478	364,147

	Long-term assets	
	12/31/09 €'000	12/31/08 €'000
Germany	35,257	32,268
Outside Germany	3,769	2,288
Group	39,026	34,556

Non-current assets includes property, plant and equipment; intangible assets; goodwill; and other non-current assets. Financial instruments and deferred tax claims are not included.

2. Sales revenues

The sales revenues of € 422,478k include order revenue of € 1,061k calculated using the POC method.

3. Other operating income

The other operating income is made up of the following:

	2009 €'000	2008 €'000
Rent	66	85
Income from bargain purchase	1,812	1,384
Income from compensation to minority shareholders	171	0
Compensation for damanges on the basis of contracts of sale	47	143
Income not relating to the period	379	45
Government grants	146	0
Other operating income	58	70
Total	**2,679**	**1,727**

Income not relating to the period mainly includes income from derecognition of debtors with a credit balance, overpayment of sales tax in previous years, the proceeds of the sale of non-current assets and income from the reduction in pension provisions.

Government grants comprises the subsidy from the German Federal Employment Agency for social security on short-time working benefit (€ 138k), and the subsidy from Germany's publicly owned development bank, KfW, allocated to the financial year 2009, which was granted at an interest rate below the market rate (€ 8k).

KfW is subsidising the loans from Stadtsparkasse Augsburg, which are shown under the balance sheet items Long-term debt and profit-participation capital and subordinated loans. For more information see details on loans in sections C 15 and C 16.

4. Other own work capitalised

This item includes in-house services connected with the manufacture of non-current assets, as well as capitalised development costs in the intangible assets.

Other own work capitalised comprises the following:

	€'000
Capitalised development costs	945
Work capitalised for computer centre	8

Research and development costs in 2009 amounted to € 2.1 million, of which € 945k was activated.

5. Personnel expenses

The personnel expenses consist of the following:

	2009 €'000	2008 €'000
Wages and salaries	69,965	61,698
Social security contributions	12,644	11,142
Pension expenses	198	188
Total	**82,807**	**73,028**

6. Other operating expenses

The other operating expenses consist of the following:

	2009 €'000	2008 €'000
Office space	5,215	4,457
Insurance and other changes	895	874
Motor vehicles	4,360	4,894
Advertising	1,793	1,623
Stock exchange and entertainment	341	643
Hospitality and travelling expenses	1,794	2,089
Delivery costs	3,105	2,195
Thrid-party services	2,730	3,300
Repairs, maintenance, leasing	1,520	745
Communication and office expenses	1,706	1,534
Legal and consultancy expenses	812	824
Fees and charges; costs of money transactions	485	304
Allowance for bad debts	0	347
Other operating expenses	1,344	2,227
Total	**26,100**	**26,056**

7. Interest income and expenses

	2009 €'000	2008 €'000
Other interest and similar income	164	304
Interest an dsimilar expenses	–1,468	–1,563
Interest income / expenses	**–1,304**	**–1,259**

Interest income mainly consists of interest on cash in banks and interest from customers.

8. Income tax

The rate of income tax for German companies was 30.77 percent in 2009 (2008: 30.62 percent). This is made up of corporation tax, trade tax and the solidarity surcharge. The slight rise in the income tax rate is owing to the increase in the average rate of trade tax.

The divergence between the tax expenses reported and those at the tax rate of CANCOM IT Systeme Aktiengesellschaft is shown below:

	2009 €'000	2008 €'000
Earnings before tax	**5,616**	**3,962**
Expected tax at rate for German companies (30.77 percent; 2008: 30,62 percent)	**1,728**	**1,213**
- Difference from tax paid outside Germany	30	39
- Change in the value adjustment of deferred tax assets on loss carryforwards	-233	34
- Tax-exempt income / not tax-relevant capital losses	-422	-28
- Actual income tax not relating to the period	-40	103
- Permanent differences: non-deductible operating expenses, and additions and reductions due to trade tax	105	366
- Earnings from differences from consolidation of capital	-610	-424
- Miscellaneous	-3	-2
- Tax savings recognised under discontinued operations	1	-39
Total Group income tax	**556**	**1,262**

The actual tax rate is calculated as follows:

	€'000
Income before tax	5,616
Income tax	556
Actual tax expense rate	9.90 %

Income tax comprises the income tax paid or owed in the individual countries and also the deferred taxes:

	2009 €'000	2008 €'000
Actual income tax paid	152	457
Deferred taxes:		
Assets	249	1,037
Liabilities	155	-232
	404	805
Group income tax	**556**	**1,262**

The calculation of income tax in accordance with IAS 12 takes account of tax deferrals resulting from differences in the amounts recognised in the tax balance sheet, as well as from realisable loss carryforwards, from recognition of tax in the separate individual financial statements of the consolidated subsidiaries and the standards applied throughout the Group producing different results, and from the consolidation processes, in as far as these balance out over the course of time.

Deferred tax claims relating to the carrying forward of tax losses which have not yet been utilised are capitalised, where results are expected to be positive within the next 2 years. The deferred taxes are calculated on the basis of the anticipated tax rates in the period in which an asset is realised or a debt satisfied. The tax rates are those that apply or will apply on the balance sheet date.

9. Discontinued operations
The impact of discontinued operations on the consolidated income statement is a loss of € 3k (2008: a loss of € 62k).
This amount consists of expenditure of € 4k (2008: € 1,316k) and a pre-tax loss of € 4k (2008: profit of € 8k). The related income tax gain is € 1k, whereas in 2008 there was an income tax expense of € 70k. In 2008 there was also income (including other operating income) of € 1,324k.

In 2008, discontinued operations comprised mainly the sale of the Softmail group and the intended sale of CANCOM Ltd.

Because of CANCOM Ltd.'s improved earnings situation, it was decided to hold on to the investment in the subsidiary. In the financial year 2009, therefore, the investment in the subsidiary is no longer classified as held for sale, and the profit of CANCOM Ltd. is no longer shown under discontinued operations. The figures for 2008 in the consolidated income statement and the consolidated cash flow statement have been adjusted accordingly.

10. Minority interests
Minority interests are equivalent to 24.5 percent of the net income of Home of Hardware GmbH & Co. KG for the period from 1 January to 31 July 2009 (€ 26k) and 49 percent of acentrix GmbH's net income in 2009 (€ 13k). Home of Hardware GmbH & Co. KG has ceased operating following the integration of its business into the Group in the financial year 2009. Please see Annex 4 for changes in minority interests in the equity capital.

E. Notes to the cash flow statement

The consolidated cash flow statement is prepared in accordance with IAS 7 "cash flow statements". This requires that a distinction be made between cash flows from operating activities, investing activities and financing activities. The cash and cash equivalents shown in the cash flow statement comprises cash in hand and cash at banks.

The figures for 2008 have been adjusted, as CANCOM Ltd. is no longer classified as held for sale. Please see the explanations under D.9. Discontinued operations.

The indirect method was used to establish the cash flow from current activities. The cash flow from ordinary activities fell by € 2.4 million compared with 2008.

For disclosures regarding the acquisition of the Group subsidiaries CANCOM Financial Services GmbH and CANCOM SCC GmbH, please see section A. 3 of the Notes (Reporting entity – scope of consolidation). Cash amounting to € 1,791k was acquired with these companies.

The cash resources of € 25,836k (2008: € 18,877k) include the cash and cash equivalents shown in the balance sheet. This comprises cash in hand and cash at banks. The cash resources in 2008 also included cash and cash equivalents of € 595k from discontinued operations.

F. Other disclosures

1. Related party disclosures
CANCOM IT Systeme Aktiengesellschaft has prepared these consolidated financial statements as the parent company with ultimate control.

According to IAS 24, CANCOM Financial Services GmbH, the joint venture formed in January 2006 with TRS Technology Refresh GmbH, was deemed a related party. CANCOM Financial Services GmbH brokers the leasing contracts concluded by TRS Technology Refresh GmbH. Payments from the Group to TRS Technology Refresh GmbH amount to € 49k (the price paid for shares in CANCOM Financial Services GmbH). The joint venture has been dissolved following CANCOM's acquisition of the remaining shares in CANCOM Financial Services GmbH on 8 December 2009.

For the purposes of IAS 24, Klaus Weinmann can be considered a related party who can exercise a significant influence on the CANCOM Group, both as an Executive Board member and as a shareholder in CANCOM IT Systeme Aktiengesellschaft. Rudolf Hotter and Paul Holdschik, the other Executive Board members, are also related parties for the purposes of IAS 24, as are the members of the Supervisory Board.

The following level of remuneration was set for the Executive Board members in the financial year 2009:

The remuneration of the CEO, Klaus Weinmann, consists of a fixed payment of € 280k, an annual bonus of € 186k, the one-off compensation of € 142k for pension entitlements earned to date, and other remuneration components amounting to € 2k. His total remuneration, including the one-off compensation for pension entitlements earned to date – of which € 119k was earned in previous years – was € 610k. The remuneration of the other Executive Board members, Rudolf Hotter and Paul Holdschik, consists of a fixed payment of € 200k, an annual bonus of € 125k and other remuneration components amounting to € 4k. Altogether, their remuneration amounts to € 329k each. The total remuneration of the Executive Board for the financial year 2009 was € 1,268k.

The Supervisory Board members received the following remuneration in the financial year 2009:

The remuneration of the Chairperson of the Supervisory Board, Walter von Szczytnicki, is € 26k, and that of the other Supervisory Board members as follows: Dr Klaus F Bauer € 13k, Stefan Kober € 13k, Hans-Jürgen Beck € 4k, Raymond Kober € 13k, Walter Krejci € 13k and Regina Weinmann € 7k.

There were no receivables or payables in relation to related parties at the balance sheet date.

Since 1 July 2007, a consultancy agreement has been in place between CANCOM IT Systeme Aktiengesellschaft and the Chairperson of its Supervisory Board, Walter von Szczytnicki. The contract was drawn up on 9 March 2007 and approved in accordance with Section 114 of the German Stock Companies Act (Aktiengesetz, AktG), and provides for an annual remuneration of € 60,000. Hence the remuneration paid in the financial year 2009 amounted to € 60,000.

On 27 June 2007 the Supervisory Board approved an M&A consultancy agreement with Auriga Corporate Finance GmbH, Munich, Germany. The agreement had been signed on 7 March 2007 and required the approval of the Supervisory Board in accordance with Section 114 I of the German Stock Companies Act (Aktiengesetz, AktG). No payments were made to the company on the basis of the consultancy agreement in 2009.

Transactions with related parties were settled in the same way as arm's length transactions.

2. Shares held by members of the Executive and Supervisory Boards (at the balance sheet date)

Shareholder	Number of shares	%
Klaus Weinmann	543,312	5.2548
Paul Holdschik	64,781	0.6265
Rudolf Hotter	175,000	1.6925
Walter von Szczytnicki	6,252	0.0605
Stefan Kober	826,289	7.9916
Dr. Klaus F. Bauer	1,500	0.0145
Raymond Kober	920,891	8.9066
Walter Krejci	10,000	0.0967
Regina Weinmann	100,000	0.9672
Freefloat	7,691,407	74.3891
	10,339,432	**100.0000**

3. Contingent liabilities and other financial obligations

The financial obligations of the companies in the CANCOM Group under tenancy and leasing agreements are as follows:

Fällig	2010 €'000	2011 €'000	2012 €'000	2013 €'000	2014 €'000	später €'000	gesamt €'000
under tenancy agreements	3,333	1,966	1,820	1,771	1,680	6,310	16,880
under leasing agreements	3,008	1,581	615	122	0	0	5,326
	6,341	**3,547**	**2,435**	**1,893**	**1,680**	**6,310**	**22,206**

The leasing agreements relate to operating leases.

All the shares of Bürotex GmbH Systemhaus were acquired under a notarised contract of sale dated 22 December 2009. Commercial ownership of the shares was transferred to the Group on 1 January 2010. The purchase price, which is payable in 2010, is based on the net assets of the company, which have yet to be ascertained. It is expected to be in the region of € 3,500k.

As part of the insolvency proceedings of a customer, the insolvency administrator made a claim against a subsidiary of CANCOM IT Systeme AG, a considerable time after the insolvency proceedings were commenced, for recovery of direct debits and charges on regular deliveries of merchandise amounting to about € 1.6 million. In the opinion of the subsidiary's solicitor, the claims of the insolvency administrator are not enforceable, for a number of reasons. The solicitor can give detailed legal reasons for his assessment of the matter. On the basis of this legal assessment, the Executive Board sees no need, even with cautious evaluation of the matter, to make any provision for this risk other than for the risk of litigation, and is of the opinion that the status of the proceedings is adequately provided for in the financial statements.

A subsidiary of CANCOM IT Systeme AG was commissioned by a large clinic to implement an IP TV multimedia patient terminal as part of a wider contract. There are disagreements between the subsidiary and the customer regarding the satisfying of the requirements in the specification and regarding the limited use of the equipment. The amount in dispute is about € 0.4 million.

Because of the complexity of the project, there are contracts between the clinic, a project management company charged by the clinic with the overall coordination, the manufacturer of the equipment, CANCOM IT Systeme AG's subsidiary and subcontractors. The proceedings have been covered in the financial statements, taking into account the possibilities and risks in this case in line with the legal assessment of the matter. The CANCOM subsidiary also has a right of recourse against the supplier. On the basis of the legal assessment, the Executive Board is of the opinion that the status of the proceedings is adequately covered in the annual financial statements.

4. Transactions not included in the balance sheet according to Section 314, no. 2 of the German Commercial Code (Handelsgesetzbuch, HGB)

In addition to obtaining financing through the parent company, CANCOM IT Systeme Aktiengesellschaft's subsidiaries CANCOM NSG GmbH and CANCOM Deutschland GmbH improve their liquidity by using factoring master agreements for the sale of trade accounts receivable. The factoring method is non-recourse, meaning that the factor assumes the credit and default risk.

In 2008, CANCOM IT Systeme Aktiengesellschaft sold the ERP-System Microsoft® Dynamics AX™ under a sale and lease-back agreement to improve liquidity and optimise the structure of its balance sheet. In 2007, the business premises was sold under a sale and lease-back agreement for the same reasons.

5. Declaration of conformity with the German Corporate Governance Code
CANCOM IT Systeme Aktiengesellschaft made a statement of conformity in 2009 in accordance with Section 161 of the German Stock Companies Act (Aktiengesetz, AktG). This was published for the information of shareholders on the company's website at www.cancom.de on 29 December 2009.

6. Auditors' fees
The following auditors' fees (total fees plus expenses, excluding value-added tax) were charged for the financial year 2009 in accordance with Section 318 of the German Commercial Code (Handelsgesetzbuch, HGB), including affiliated companies and subsidiaries as defined by Section 271, paragraph 2 of the same Code:

a) Financial statements	€'000	183
b) Tax consultancy	€'000	1
c) Other services	€'000	22

7. Employees

	2009	2008
Average over the year	1,777	1,588
At year-end	1,870	1,778

8. Equity interests in the Company as defined in Section 20 IV of the German Stock Companies Act (Aktiengesetz, AktG)
In 2009 CANCOM IT Systeme Aktiengesellschaft received no written notice from any shareholder disclosing a majority shareholding as defined in Section 20 of the above Act.

9. Executive Board and Supervisory Board
The members of the Supervisory Board are:

- Dipl.-Kaufmann Klaus Weinmann, graduate in business administration, Aystetten, Germany (CEO)
- Dipl.-Betriebswirt Rudolf Hotter, graduate in business economics, Füssen, Germany
- Paul Holdschik, businessman, Eurasburg, Germany

All members of the Executive Board are authorised to represent the Company jointly with one other Executive Board member or a person holding general commercial power of attorney ("Prokura" under German commercial law).

The following persons hold general commercial power of attorney ("Prokura" under German commercial law):

- Dipl.-Wirtsch.-Ing. Thomas Stark, graduate in industrial engineering, Wittislingen, Germany
- Dr jur. Johannes Mauser, lawyer, Stuttgart, Germany

The members of the Supervisory Board are:

- Walter von Szczytnicki, self-employed management consultant, Kirchseeon, Germany (Chairperson)
- Dr Klaus F Bauer, corporate lawyer, Riemerling, Germany (Deputy Chairperson)
- Stefan Kober, member of the board of management of AL-KO Kober AG, Kötz, Germany
- Hans-Jürgen Beck, CEO of FGN AG, Frankfurt, Germany (member of the Supervisory Board up to 30 April 2009)
- Raymond Kober, member of the board of management of AL-KO Kober AG, Kötz, Germany
- Walter Krejci, managing director of AURIGA Corporate Finance GmbH, Munich, Germany
- Dipl.-Kauffrau Regina Weinmann, graduate in business administration, self-employed estate agent and managing director of WFO Finanzberatung GmbH, Aystetten, Germany (member of the Supervisory Board since 24 June 2009)

Memberships of other supervisory boards:

- Walter von Szczytnicki:
  - AL-KO Kober AG
- Dr Klaus Bauer:
  - S-Partner Kapital AG
- Hans-Jürgen Beck
  - new econ AG, Wiesbaden, Germany (Chairperson)

10. Significant events after the reporting date

On 11 February 2010, CANCOM SYSDAT GmbH was merged into CANCOM IT Solutions GmbH, Jettingen-Scheppach, Germany, with retroactive effect from 1 January 2010. The new unit trades under the style of CANCOM IT Solutions GmbH and transacts the solutions business of the CANCOM Group.

11. Proposal for the appropriation of retained profit of CANCOM IT Systeme AG

The Executive Board of CANCOM IT Systeme AG has resolved to propose to the Supervisory Board and the Annual General Meeting that the € 11,981k retained profit from the financial year 2009 be used for a dividend payment of € 0.15 per eligible share. It will propose that the dividend amount apportionable to the treasury shares held at the date of the Annual General Meeting be transferred to other reserves, along with the balance of the retained profit remaining after the dividend payment.

12. Approval of consolidated financial statements in accordance with IAS 10.17

These consolidated financial statements were approved for publication by the Executive Board on 10 March 2010.

Jettingen-Scheppach, Germany, 9 March 2010

Klaus Weinmann Paul Holdschik Rudolf Hotter

Executive Board of CANCOM IT Systeme Aktiengesellschaft

Statement of ownership

Name, registered office of company	Share
1. CANCOM Deutschland GmbH, Jettingen-Scheppach, Germany	100.0
and its subsidiaries	
– CANCOM (Switzerland) AG, Caslano, Switzerland	100.0
– CANCOM Computersysteme GmbH, Grambach, Austria	100.0
and its subsidiary	
• CANCOM a+d IT solutions GmbH, Perchtoldsdorf, Austria	100.0
2. CANCOM NSG GmbH, Jettingen-Scheppach, Germany	100.0
3. CANCOM IT Solutions GmbH, Jettingen-Scheppach, Germany	100.0
and its subsidiary	
– acentrix GmbH, Jettingen-Scheppach, Germany	51.0
4. CANCOM SYSDAT GmbH, Cologne, Germany	100.0
5. HOH Home of Hardware GmbH, Jettingen-Scheppach, Germany	100.0
6. CANCOM SCC GmbH, Stuttgart, Germany	100.0
7. CANCOM physical infrastructure GmbH, Jettingen-Scheppach, Germany	100.0
and its subsidiary	
– Novodrom People Value Service GmbH, Jettingen-Scheppach, Germany	100.0
8. CANCOM Service Center Süd GmbH, Jettingen-Scheppach, Germany	100.0
9. CANCOM Ltd., Guildford, UK	100.0
10. CANCOM Financial Services GmbH, Jettingen-Scheppach, Germany	100.0
11. NSG Datacenter Services GmbH, Jettingen-Scheppach, Germany	100.0
12. CANCOM IT Services GmbH, Jettingen-Scheppach, Germany	100.0

Responsibility Statement of the consolidated financial statement

The members of the Executive Board have assured that, to the best of their knowledge and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, give a true overall picture of the Group's situation, and present an accurate view of the opportunities and risks of future development.

Jettingen-Scheppach, Germany, 9 March 2010

Klaus Weinmann | Paul Holdschik | Rudolf Hotter

Executive Board of CANCOM IT Systeme Aktiengesellschaft

We have audited the consolidated annual financial statements (consisting of balance sheet, income statement, statement of changes in equity, cash flow statement and notes to the accounts) prepared by CANCOM IT Systeme Aktiengesellschaft, as well as the Group management report for the financial year from 1 January to 31 December 2009. It is the responsibility of the Executive Board of the Company to prepare the consolidated annual financial statements and Group management report in accordance with IFRS as applicable in the EU, and in line with the requirements of German commercial law according to Section 315a (1) of the German Commercial Code (Handelsgesetzbuch, HGB). Our task is to issue an opinion on the consolidated annual financial statements and the Group management report on the basis of our audit. We were also instructed to judge whether the consolidated annual financial statements also comply overall with IFRS.

We have carried our audit of the consolidated annual financial statements in accordance with Section 317 of the German Commercial Code, in compliance with the German standards for the audit of financial statements laid down by the German Institute of Auditors (Institut der Wirtschaftsprüfer, IDW). These require us to plan and conduct our audit in such a way that any inaccuracies or irregularities significantly affecting the asset, financial and earnings position presented by the consolidated annual financial statements prepared in compliance with statutory accounting requirements, and by the Group management report, can be detected with reasonable certainty. In establishing the audit procedures, we took into consideration our knowledge of the Group's business activities, and of the economic and legal environment in which it operates, as well as our expectations with regard to possible errors. The audit reviews the efficacy of the internal controlling system relating to the accounting system, and seeks proof for the details provided in the consolidated financial statements and Group management report primarily on the basis of random checks. The audit includes an assessment of the financial statements of the companies included in the consolidated financial statements, of the demarcation of the scope of consolidation, of the accounting principles and consolidation policy applied, and of the significant estimates made by the Executive Board, as well as an evaluation of the overall presentation of the facts by the consolidated annual financial statements and the management report for the Group. We believe that our audit provides a reasonable basis for our opinion.

Our audit did not give rise to any objections.

In our opinion, based on the information we have obtained during our audit, the consolidated financial statements conform with IFRS as applicable in the EU, and the requirements of German commercial law according to Section 315a (1) of the German Commercial Code, as well as the IFRS overall, and give a true and fair view of the assets, financial situation and earnings of the Group, while complying with these requirements. The Group management report is in line with the consolidated financial statements, it gives a true overall picture of the Group's situation, and presents an accurate view of the opportunities and risks of future development.

Augsburg, Germany, 9 March 2010

S&P GmbH
Wirtschaftsprüfungsgesellschaft

Tobias Wolf	Johann Dieminger
Certified auditor	Certified auditor

Company financial statements

Company balance sheet as at 31 December 2009

Assets		
in €	12/31/2009	12/31/2008
A. FIXED ASSETS		
I. Intangible assets and goodwill		
1. Concessions, industrial property rights and other similar rights and values, as well as licenses to such rights and values	12,116.96	13,134.09
2. Goodwill	176,395.85	207,073.37
	188,512.81	**220,207.46**
II. Property, plant and equipment		
1. Plant and machinery	259,323.23	288,515.15
2. Other plant, fixtures, fittings and equipment	520,347.90	488,900.80
	779,671.13	**777,415.95**
III. Investments		
Shares in affiliated companies and subsidiaries	38,520,560.47	39,768,488.99
B. CURRENT ASSETS		
I. Accounts receivable and other assets		
1. Accounts receivable due from affiliated companies and subsidiaries	7,641,600.70	5,431,947.37
2. Other assets	386,784.64	637,217.83
	8,028,385.34	**6,069,165.20**
II. Securities		
Own shares	164,602.01	0.00
III. Cash and cash equivalents due from banks	**16,599,564.72**	**10,136,397.53**
C. PREPAID EXPENSES	**68,508.21**	**26,034.21**
	64,349,804.69	**56,997,709.34**

Equity and Liabilities		
in €	12/31/2009	12/31/2008
A. EQUITY		
I. Share capital	10,390,751.00	10,390,751.00
II. Additional paid-in capital	16,513,442.57	16,513,442.57
III. Retained earnings		
1. Statutory reserves	6,665.71	6,665.71
2. Reserve for own shares	164,602.01	0.00
3. Other reserves	0.00	115,804.78
	171,267.72	122,470.49
IV. Unapprppriated profit	11,980,851.92	8,205,145.24
	39,056,313.21	**35,231,809.30**
B. PROVISIONS		
1. Pension provisions and similar commitments	0.00	118,891.00
2. Deferred taxes	341,667.66	369,948.41
3. Other provisions	1,672,123.17	837,445.00
	2,013,790.83	**1,326,284.41**
C. LIABILITIES		
1. Profit participation capital and subordinated loans	14,038,100.00	11,650,000.00
2. Liabilities due to banks	6,203,818.61	4,487,830.80
3. Trade accounts payable	136,207.41	346,359.60
4. Liabilities to affiliated companies and subsidiaries	1,395,659.41	1,617,457.75
5. Other liabilities	1,505,915.22	2,337,967.48
	23,279,700.65	**20,439,615.63**
	64,349,804.69	**56,997,709.34**

Company income statement for the period from 1 January 2009 to 31 December 2009

in €	**01/01/2009 – 12/31/2009**	01/01/2008 – 12/31/2008
1. Revenues	5,601,000.00	5.238.000,00
2. Other operating income	1,565,087.15	2.727.284,71
3. Personnel expenes		
a) Wages and salaries	–2,783,386.31	–2.452.673,63
b) Social security, pension		
and other benefit costs	–324,509.41	268.669,55
	–3,107,895.72	2.721.343,18
4. Depreciation and amortisation:		
on intangible and tangible fixed assets		
including capital expenditure for startup costs		
and for expansion of business activities	–158,476.63	–344,771.72
5. Other operating expenses	–3,656,489.35	–4,165,591.71
6. Income from equity investments	700,000.00	371,466.96
7. Profits gained on the basis of a profit pooling agreement,		
a profit transfer agreement or partial profit transfer agreement	3,880,261.69	4,228,620.03
8. Other interest and similar income	285,776.29	292,506.43
9. Depreciation on investments and current-asset securities	0.00	–1,597,054.03
10. Interest and similar expenses	–1,153,819.61	–1,214,335.50
11. Profit / loss from ordinary activities	**3,955,443.82**	**2,814,781.99**
12. Taxes on income	–126,715.47	–305,219.90
13. Other taxes	–4,224.44	–4,005.28
14. Net profit for the year	**3,824,503.91**	**2,505,556.81**
15. Net profit carried forward	8,205,145.24	5,699,588.43
16. Allocation to retained earnings	–48,797.23	0.00
16. Balance sheet profit	**11,980,851.92**	**8,205,145.24**

Statement of Changes in Fixed Assets

Statement of Changes in Fixed Assets

	Acquisition or manufacturing costs		
	Balance as at 01/01/2009 in €	Additions 2009 in €	Disposals 2009 in €
I. Intangible assets and goodwill			
1. Concessions, industrial property rights and similar rights and values as well as licences	118,938.36	9,655.50	0.00
2. Goodwill	460,162.69	0.00	0.00
	579,101.05	9,655.50	0.00
II. Property, plant and equipment			
1. Technical equipment and machinery	467,982.94	5,426.94	0.00
2. Other plants, fixtures, fittings and equipment	663,713.10	114,627.98	1,731.08
	1,131,696.04	120,054.92	1,731.08
III. Financial assets			
1. Shares in affiliated companies	44,579,742.82	1,466,475.48	2,714,404.00
2. Equity investments	25,000.00	0.00	0.00
	44,604,742.82	1,466,475.48	2,714,404.00
Total	46,315,539.91	1,596,185.90	2,716,135.08

		Depreciation and amortisation				Earning amounts	
Transfers 2009 in €	Balance as at 12/31/2009 in €	Balance as at 01/01/2009 in €	Additions 2009 in €	Disposals 2009 in €	Balance as at 12/31/2009 in €	Balance as at 12/31/2009 in €	Balance as at 12/31/2008 in €
0.00	128,593.86	105,804.27	10,672.63	0.00	116,476.90	12,116.96	13,134.09
0.00	460,162.69	253,089.32	30,677.52	0.00	283,766.84	176,395.85	207,073.37
0.00	588,756.55	358,893.59	41,350.15	0.00	400,243.74	188,512.81	220,207.46
0.00	473,409.88	179,467.79	34,618.86		241,086.65	259,323.23	288,515.15
0.00	776,610.00	174,812.30	82,507.62	1,057.82	256,262.10	520,347.90	488,900.80
0.00	1,250,019.88	354,280.09	117,126.48	1,057.82	470,348.75	779,671.13	777,415.95
25,000.00	43,356,814.30	4,836,253.83	0.00	0.00	4,836,253.83	38,520,560.47	39,743,488.99
–25,000.00	0.00	0.00	0.00	0.00	0.00	0.00	25,000.00
0.00	43,356,814.30	4,836,253.83	0.00	0.00	4,836,253.83	38,520,560.47	39,768,488.99
0.00	45,195,590.73	5,549,427.51	158,476.63	1,057.82	5,706,846.32	39,488,744.41	40,766,112.40

Notes to the Company accounts for the financial year 2009

A. General information

The Company is a large joint-stock company, for the purposes of Section 267, paragraph 3 of the German Commercial Code (Handelsgesetzbuch, HGB). The accounting and valuation methods are subject to the provisions of the German Commercial Code on financial reporting for joint-stock companies, in addition to the supplementary provisions of the German Stock Companies Act (Aktiengesetz, AktG).

B. Accounting and valuation principles

Intangible assets

Intangible assets are valued at acquisition cost less amortisation (based on a useful life of 3 to 5 years). Goodwill is written down over 15 years according to its expected useful life. Items are written down according to the straight-line method of depreciation.

Property, plant and equipment

Property, plant and equipment are recognised at acquisition cost less depreciation calculated according to the straight-line method.

A useful life of between 2 and 13 years is applied to property, plant and equipment.

Low-value assets with acquisition costs of € 150 or less are written off in full as operating costs in the year of their acquisition.

Since 1 January 2008, assets with acquisition costs of between € 150 and € 1,000 are capitalised in a collective item. All assets for the whole year are accumulated in this collective item and depreciated over five years by the straight-line method.

Investments

Financial investments are valued at acquisition cost or at the lower fair value.

Accounts receivable and other assets

Accounts receivable and other assets are carried at their nominal value. Identifiable risks are taken into account through specific allowances for bad debts.

Provisions

Provisions have been measured on the basis of reasonable commercial assessment and take account of all identifiable risks, contingent liabilities and anticipated losses.

Liabilities

Liabilities are recognised at the amount payable.

Basis for currency conversion

Accounts receivable and liabilities in foreign currencies within the Group were converted at the rate applicable on the balance sheet date. Monetary balance sheet items in foreign currencies were also converted at the rate applicable on the reporting date. Liabilities are converted at the higher historical rate where applicable.

C. Explanations and disclosures concerning individual balance sheet items

Fixed assets

Changes in fixed assets are shown in the statement of changes in fixed assets (page 84-85).

For the composition of the Company's financial assets and the results of the subsidiaries in 2009, please see the statement of shareholdings in companies (Annex 4).

Accounts receivable and other assets

This item does not include any accounts receivable with a remaining term of more than one year. In 2008 the item included € 199k in reinsurance connected with pension provisions. Since the pension commitment to the Executive Board has been terminated, it is planned to have the insurance paid out during the financial year 2010.

Accounts receivable from subsidiaries and affiliated companies relate to CANCOM NSG GmbH (€ 2,282k; 2008: € 0), HOH Home of Hardware GmbH (formerly SYSNET Computer-Systemvertriebsgesellschaft mbH) (€ 2,144k; 2008: € 30k), CANCOM Computersysteme GmbH (€ 1,641k, 2008: € 0), CANCOM IT Solutions GmbH (€ 699k; 2008: € 206k), acentrix GmbH (€ 259k; 2008: € 221k), CANCOM Limited (€ 205k; 2008: € 61k), CANCOM physical infrastructure GmbH (€ 204k; 2008: € 4k), CANCOM (Switzerland) AG (€ 169k; 2008: € 0), CANCOM a+d IT solutions GmbH (€ 36k; 2008: € 36k) and Novodrom People Value Service GmbH (€ 3k; 2008: € 4k). In 2008 this item also included accounts receivable from CANCOM Deutschland GmbH of € 4,870k.

Treasury shares

In December the Company purchased 51,319 of its own shares. The Company's holding of its own shares as at 31 December 2009 was 51,319, with a nominal value of € 51,319 or 0.49 percent of the share capital. At the time of their acquisition the shares were valued at € 164,602.01. The reasons for purchasing the shares are explained below in the section on share capital.

Share capital

As at 31 December 2009 the Company's share capital was € 10,390,751, divided into 10,390,751 notional no-par-value shares.

Authorised and conditional capital

In conformity with the articles of association, the Company's authorised share capital totalled € 4,000,000 as at 31 December 2009, and it was subdivided as follows:

A resolution of the general meeting of shareholders held on 25 June 2008 authorises the Executive Board to increase the share capital once or repeatedly by up to a total of € 1,000,000 by issuing up to 1,000,000 new notional no-par-value bearer shares against cash contributions. The capital increases must be carried out by 24 June 2013 and are subject to the approval of the Supervisory Board.
The Executive Board is authorised to rescind the shareholders' statutory subscription rights in the following cases, subject to the approval of the Supervisory Board:

aa) for fractional amounts; or

bb) if the capital increase is in exchange for cash and the proportion of the share capital accounted for by the new shares, for which subscription rights are excluded, is not greater than 10 percent of the share capital existing at the time the new shares are issued; and if the issue price of the new shares is not significantly lower than the stock market price of the shares of the same securities class and nature that are already quoted when the price is finally determined by the Executive Board, as laid down by Section 203, paragraphs 1 and 2, and Section 186, paragraph 3, sentence 4 of the German Stock Companies Act (Aktiengesetz, AktG). When the 10 percent threshold is calculated, the proportion of the share capital that is accounted for by new or repurchased shares that have been issued or sold since 25 June 2008 with the simplified exclusion of pre-emptive rights in line with Section 186, paragraph 3, sentence 4 of the German Stock Companies Act must be taken into account, as well as the proportion of the share capital relating to option and/or conversion rights or obligations from bonds which have been issued since 25 June 2008 in compliance with Section 186, paragraph 3, sentence 4 of the German Stock Companies Act.

The Executive Board and the Supervisory Board will decide on the nature of the relevant rights conferred by the shares and the other conditions of the share issue (Authorised Capital 2008/II).

In addition, on the basis of a resolution of the general meeting of shareholders held on 22 June 2005, the Executive Board is authorised to increase the share capital by a maximum of € 3,000,000 in one or more stages by issuing up to 3,000,000 new notional no-par-value bearer shares in exchange for cash contributions or contributions in kind. The capital increases require the approval of the Supervisory Board and must be carried out by 20 June 2010. Shareholders have been granted subscription rights which may be rescinded in the event of a capital increase through non-cash contributions in connection with the acquisition of an equity investment or of parts of other companies. The Executive Board is also authorised, subject to the agreement of the Supervisory Board, to exclude fractional amounts from the shareholders' subscription right; the Executive Board, with the agreement of the Supervisory Board, will decide on the nature of the relevant rights conferred by the shares and the other conditions of the share issue (Authorised Capital 2005/III).

In accordance with the articles of association, the conditional capital as at 31 December 2009 amounted to € 5,000,000, and is determined as follows:

The share capital is increased conditionally by up to € 5,000,000 through the issue of up to 5,000,000 new no-par-value shares. The conditional increase in capital will only be implemented to the extent that the holders of bonds, which the Executive and Supervisory Boards have been authorised to issue up to 24 June 2013 by resolution of the general meeting of 25 June 2008, exercise their conversion rights/obligations or their option rights. The new shares will be issued at an option exercise price or conversion price to be determined in accordance with the above resolution. The new shares will carry dividend rights from the beginning of the financial year for which, at the time of their issue, no resolution of the general meeting has been passed on the appropriation of retained profit for the year. The Executive Board is authorised to determine the other details for the implementation of the conditional capital increase with the approval of the Supervisory Board.

The Executive Board did not exercise these powers in the period from 1 January to 31 December 2009.

The Executive Board is not aware of any restrictions on voting rights or on the transfer of shares.

Purchase of the Company's own shares

By resolution of CANCOM IT Systeme AG's general meeting of shareholders held on 24 June 2009, the Company is authorised up to 31 December 2010 to buy its own shares up to a value of € 1,000,000, or just under 10 percent of the share capital of € 10,390,751 as at 24 June 2009.

The authorisation took effect on 1 July 2009. It replaced the resolution made in the general meeting of 25 June 2008 and may be exercised up to 31 December 2010. The authorisation resolved by the general meeting of 25 June 2008 ended as soon as the new authorisation became effective.

According to the resolution, the Company can purchase its own shares for the following purposes: to enable it to offer shares in the Company to third parties in connection with a business combination or in connection with the acquisition of a company or parts of a company or equity investments in a company; to enable it to offer and transfer shares to entitled parties in fulfilment of the Company's obligations from the issue of convertible bonds and/or option bonds, as authorised by the general meeting of 25 June 2008; or to call in the shares.

The authorisation is limited to the purchase of shares with a value not greater than € 1,000,000, i.e. less than 10 percent of the share capital of € 10,390,751 existing at 24 June 2009. At no time may the purchased shares, together with other treasury shares held by the Company or that are attributable to it in accordance with Sections 71 a ff of the German Stock Companies Act, account for more than 10 percent of the share capital. The authorisation may be exercised as a whole or in several tranches within the above limits.

The shares may only be purchased on the stock exchange.
The price per share paid by the Company (excluding incidental costs) may not exceed or undercut by more than 5 percent the opening price on the trading day in the Xetra trading system (or a comparable replacement system) operated by FWB Frankfurt Stock Exchange.

As at 31 December 2009, the Company's holding of its own shares was 51,319.

Capital redemption reserve

In accordance with Section 272, paragraph 4 of the German Commercial Code, a capital redemption reserve equal to the amount shown on the asset side of the balance sheet under treasury shares (€ 165k) was created. Of this reserve, € 116k came from other reserves and € 49k from the retained profit.

Retained profit

Retained profit consists of the following:

	2009	2008
	€'000	€'000
Amount brought forward 1 January	8,205	5,700
Transfer to capital redemption reserve	-49	
Net income for the year	3,825	2,505
Retained profit	11,981	8,205

Provisions

In 2009 there were no pension provisions for the Executive Board (2008: € 119k). In its meeting of 10 December 2009, the Supervisory Board of CANCOM IT Systeme AG approved an agreement to cancel Klaus Weinmann's pension contract and to pay compensation. The Chairperson of the Supervisory Board was authorised to sign the agreement. The resulting agreement is effective from 31 December 2009, and provides for the termination of Mr Weinmann's pension commitment and payment of a lump sum in compensation for past services as well as a future monthly payment in consideration of future services. The amount of the settlement was calculated using actuarial mathematics. The compensation for the entitlements accrued for the period up to 31 December 2009 amounts to € 141,893 gross, and the corresponding amount net of taxes was paid to Mr Weinmann in the financial year 2009.

The other provisions are mainly provisions for the purchase price of the shareholding in CANCOM SCC GmbH (formerly BT IT-Consulting GmbH) (€ 808k; 2008: € 0), bonuses (€ 480k; 2008: € 353k), outstanding invoices (€ 195k; 2008: € 268k), financial statements and audit fees (€ 131k; 2008: € 122k), emoluments to Supervisory Board members (€ 35k; 2008: € 35k) and printing costs for the annual financial statements (€ 12k; 2008: € 50k).

Liabilities

For a breakdown of liabilities, please see the statement of liabilities (see page 90-91).

Capital from profit-participation rights and subordinated loans includes profit-participation rights of € 6,000,000 (PREPS 2005-1 and PREPS 2005-2), mezzanine capital of € 4,000,000 (Bayern Mezzaninekapital GmbH & Co. KG), and subordinated loans of € 1,650,000 (Sparkasse Günzburg-Krumbach), € 1,995,600 (Stadtsparkasse Augsburg) and € 392,500 (Stadtsparkasse Augsburg).

The € 3,000,000 portion of the profit-participation rights designated as PREPS 2005-2 was granted under a contract dated 1 November 2005. The capital was paid on 8 December 2005. The profit-participation rights expire on 8 December 2012.

There is no participation in the Company's losses. Claims arising from the profit-participation right are ranked below the claims of all current and future creditors, so that in the event of the liquidation or insolvency of the Company they are subordinate to the claims defined in Section 39, paragraph 1, number 4 of the German Insolvency Statute (Insolvenzordnung, InsO), and are therefore only to be satisfied after these and any higher-ranking claims have been satisfied in full, but before the claims defined in Section 39, paragraph 1, number 5 of the above Statute.

In line with the resolution of the general meeting of 2005 authorising the Executive Board to grant profit-participation rights, the € 3,000,000 portion recognised as a subordinated loan at 31 December 2005 (PREPS 2005-1) was converted to profit-participation rights. The conversion became effective from the interest-rate period beginning on 4 May 2006. The profit-participation rights expire on 4 August 2012. There is no participation in the Company's losses. With regard to the ranking of any claims arising from these profit-participation rights, the same applies as to the profit-participation rights designated as PREPS 2005-2 above.

The reward for granting profit-participation rights consists of a guaranteed profit plus a share of the profits depending on the Company's net profit. This is taken to be the higher of the net profit of CANCOM IT Systeme Aktiengesellschaft or the consolidated net profit of the CANCOM IT Systeme Aktiengesellschaft group. The investor only receives a share of the profits if the higher of the two net profit figures exceeds € 7 million. This is not the case in the financial year 2009.

Mezzanine capital of € 4,000,000 was granted under a mezzanine capital agreement of 27 December 2007 between CANCOM IT Systeme Aktiengesellschaft and Bayern Mezzaninekapital GmbH & Co. KG. The funds were paid out on 31 December 2007. The entire mezzanine capital is due for repayment by no later than 31 December 2015. If the actual reported EBITDA reaches at least 50 percent of the planned EBITDA, the providers of the mezzanine capital will be paid 1 percent per annum as performance-linked remuneration. Claims under the mezzanine capital agreement are subordinate to the claims of all present and future creditors of the Company in that the providers of the mezzanine capital may not demand the satisfaction of their claims during the time that the company is in crisis in the meaning of Section 32a of the German Limited Liability Company Act (Gesetz betreffend die Gesellschaften mit beschränkter Haftung, GmbhG) or if the enforcement of the claims would lead the Company into a crisis in the meaning of the Section 32a of the above Act. During such a crisis these subordinated claims rank after the claims of other creditors pursuant to Section 39, paragraph 1, number 5 in conjunction with Section 39, paragraph 2 of the German Insolvency Statute (Insolvenzordnung, InsO).

The loan from Sparkasse Günzburg-Krumbach was taken out on 28 March 2003. The loan will be repaid from 30 September 2011 in four half-yearly instalments of € 412,500. The loan was already a subordinate loan at the time that it was drawn down.

A loan of € 1,995,600 from Stadtsparkasse Augsburg was granted in tranches of € 1,500,000 on 23 September 2009 and € 495,600 on 8 December 2009. This is a specific-purpose loan out of funds from Germany's publicly owned development bank, KfW. Repayment in 12 quarterly instalments of € 166,300 will commence on 30 December 2016.

A further loan of € 392,500 from Stadtsparkasse Augsburg was granted on 8 December 2009. This is another specific-purpose loan from KfW. Repayment in 11 quarterly instalments of € 32,709 and a final instalment of € 32,701 will commence on 30 December 2016.

Liabilities due to affiliated companies relate to CANCOM SYSDAT GmbH Gesellschaft für IT-Lösungen (€ 1,202k; 2008: € 43k) and CANCOM Deutschland GmbH (€ 194k; 2008: € 0). In 2008 the figure included liabilities of € 1,574k to CANCOM NSG GmbH.

D. Explanations and disclosures concerning the income statement

The income statement was prepared according to the total cost accounting principle.

Revenues for 2009 consist solely of Group allocations (€ 5,601k; 2008: € 5,238k).

Other operating income consists of income not relating to the period, amounting to € 50k (2008: € 518k). This mainly comprises income from the retransfer of provisions (€ 33k; 2008: € 26k). In 2008, the figure also included income of € 476k from a write-up of financial assets.

In 2008 the item also included a profit of € 675k on the sale of the ERP system Microsoft® Dynamics AXTM in a sale and lease-back agreement.

Income from equity investments, which amounts to € 700k, comprises a dividend of € 200k from CANCOM physical infrastructure GmbH and a dividend of € 500k from CANCOM NSG GmbH from profits carried forward prior to the company's inclusion in the consolidated financial statements.

Profits made on the basis of a profit transfer agreement consists of CANCOM Deutschland GmbH's profit for the year (€ 1,552k; 2008: € 2,225k) and that of CANCOM NSG GmbH (€ 2,328k; 2008: € 2,004k), which were transferred to CANCOM IT Systeme Aktiengesellschaft.

Interest and similar income comprises interest income of € 261k (2008: 190k) from affiliated companies.

Of the interest and other expenses, € 46k (2008: € 94k) is attributable to subsidiaries and affiliated companies.

Company statement of liabilities

1. Profit-partipation rights and subordinated loans
2. Liabilities due to banks
3. Trade accounts payable
4. Payables to affiliated companies
5. Other liabilities
– of which taxes
– of which social security

E. Other disclosures

Information according to Section 285 no. 3 of the German Commercial Code (Handelsgesetzbuch, HGB)
In 2008 the ERP system solution Microsoft® Dynamics AX™ was sold under a sale and lease-back agreement to improve liquidity and optimise the structure of the balance sheet. In 2007 the business premises was sold under a sale and lease-back agreement for the same reasons.

Other financial obligations
Obligations under current tenancy and lease agreements amount to € 9,089k (2008: € 11,356k), of which € 1k is owed to subsidiaries and affiliated companies (2008: € 1k).

All the shares of Bürotex GmbH Systemhaus were acquired under a notarised contract of sale dated 22 December 2009. Commercial ownership of the shares was transferred to the Group on 1 January 2010. The purchase price, which is payable in 2010, is based on the net assets of the company, which have yet to be ascertained. It is expected to be in the region of € 3,500k.

Contingent liabilities
As at the reporting date there are guarantees for CANCOM Deutschland GmbH (€ 3,200k, 2008: € 8,800k), HOH Home of Hardware GmbH (legal successor to Home of Hardware GmbH & Co. KG) (€ 1,950k, 2008: € 1,050k), CANCOM physical infrastructure GmbH (€ 150k, 2008: € 150k), NSG Datacenter Services GmbH (€ 100k, 2008: € 0) and a joint guarantee of € 100k for acentrix GmbH, Novodrom People Value Service GmbH, CANCOM IT Solutions GmbH and CANCOM Service Center Süd GmbH (formerly CANCOM EN GmbH).

	12/31/2009 €'000	12/31/2008 €'000
Joint and several liability for financial guarantees and other loans	673	1,419

Contingent liabilities, which amount to € 673k (2008: € 1,419k) relate entirely to subsidiaries and affiliated companies.

Management
The members of the Executive Board are:

- Dipl.-Kfm. Klaus Weinmann, graduate in business administration, Aystetten, Germany (CEO)
- Dipl.-Betriebswirt Rudolf Hotter, graduate in business economics, Füssen, Germany
- Paul Holdschik, businessman, Eurasburg, Germany

All members of the Executive Board are authorised to represent the Company jointly with one other Executive Board member or a person holding general commercial power of attorney (‘Prokura’ under German commercial law).

The following persons hold general commercial power of attorney (‘Prokura’ under German commercial law):

- Dipl.-Wirtsch.-Ing. Thomas Stark, graduate industrial engineer, Wittislingen, Germany
- Dr jur. Johannes Mauser, lawyer, Stuttgart, Germany

Remaining time						
Up to 1 year €	Over 1 year €	Over 5 years €	12/31/2009 €	12/31/2008 €	Secured by lien or similar rights €	Type, form
0.00	7,650,000.00	6,388,100.00	14,038,100.00	11,650,000.00	0.00	
692,324.18	3,527,665.78	1,983,828.65	6,203,818.61	4,487,830.80	1,280,000.00	Pledging of shares
					894,912.29	Security assignment of cars
136,207.41	0.00	0.00	136,207.41	346,359.60	0.00	
1,395,659.41	0.00	0.00	1,395,659.41	1,617,457.75	0.00	
1,505,915.22	0.00	0.00	1,505,915.22	2,337,967.48	0.00	
1,202,111.21	*0.00*	*0.00*	*1,202,111.21*	*2,054,046.44*		
501.62	*0.00*	*0.00*	*501.62*	*501.59*		
3,730,106.22	11,177,665.78	8,371,928.65	23,279,700.65	20,439,615.63	2,174,912.29	

Supervisory Board
The members of the Supervisory Board are:

- Walter von Szczytnicki, self-employed management consultant, Kirchseeon, Germany (Chairperson)
- Dr Klaus Bauer, corporate lawyer, Riemerling, Germany, (Deputy Chairperson)
- Stefan Kober, member of the board of management of AL-KO Kober AG, Kötz, Germany
- Hans-Jürgen Beck, CEO of FGN AG, Frankfurt, Germany (member of the Supervisory Board up to 30 April 2009)
- Raymond Kober, member of the board of management of AL-KO Kober AG, Kötz, Germany
- Walter Krejci, managing director of AURIGA Corporate Finance GmbH Munich, Germany
- Dipl.-Kauffrau Regina Weinmann, graduate in business administration, self-employed real estate agent and managing director of WFO Finanzberatung GmbH, Aystetten, Germany (member of the Supervisory Board since 24 June 2009)

Memberships of other supervisory boards:

- Herr Walter von Szczytnicki in:
  – AL-KO Kober AG
- Herr Dr. Klaus Bauer in:
  – S-Partner Kapital AG
- Herr Hans-Jürgen Beck
  – new econ AG, Wiesbaden (Chairperson)

Employees
The average number of employees working for the Company during 2009 was 47, including part-time employees, but excluding apprentices and the three members of the Executive Board.

Auditors' fees
The information according to Section 285 no. 17 of the German Commercial Code (Handelsgesetzbuch, HGB) is omitted because it is included in the consolidated financial statements of CANCOM IT Systeme Aktiengesellschaft.

Declaration of conformity with the Corporate Governance Code
In 2002 the Company issued its first statement of conformity under Section 161 of the German Stock Companies Act (Aktiengesetz, AktG). It was renewed in December 2009 and then published for the information of the shareholders on the website of CANCOM IT Systeme AG.

Total emoluments paid to the Executive Board and the Supervisory Board
The total emoluments paid to the Executive Board in 2009 amounted to € 1,268k.

The total emoluments paid to members of the Executive Board are subdivided into fixed and variable components. The variable components are dependent on the attainment of defined performance targets. No stock options were granted to the members of the Executive Board in 2009.

Full disclosures in compliance with Section 285, number 9a, sentences 5 to 9 of the German Commercial Code (Handelsgesetzbuch, HBG) can be found in the management report.

The total emoluments of the Supervisory Board in 2009 amounted to € 89k.

Direct or indirect shareholdings exceeding 10 percent
As at 31 December 2009, the Company did not know of any direct or indirect shareholdings exceeding 10 percent of the voting rights.

Proposal for the appropriation of retained profit
The Executive Board has resolved to propose to the Supervisory Board and the Annual General Meeting that the € 11,981k retained profit from the financial year 2009 be used for a dividend payment of € 0.15 per eligible notional no-par-value share. It will propose that the dividend amount apportionable to the treasury shares held at the date of the Annual General Meeting be transferred to other reserves, along with the balance of the retained profit remaining after the dividend payment.

Parent company
CANCOM IT Systeme Aktiengesellschaft, Jettingen-Scheppach, Germany, is the company that prepares the consolidated financial statements. The consolidated financial statements of CANCOM IT Systeme Aktiengesellschaft are published on the Company's website. They are also available on the electronic Federal Gazette's website at www.bundesanzeiger.de.

Jettingen-Scheppach, Germany, 9 March 2010

Klaus Weinmann Paul Holdschik Rudolf Hotter

Executive Board of CANCOM IT Systeme Aktiengesellschaft

Statement of shareholdings in companies

Name, registered office of company	Shareholding in percent	Equity capital as at 31 Dec 2009 (€'000)	Net income/loss for 2009 (€'000)
Subsidiaries			
1. CANCOM Deutschland GmbH, Jettingen-Scheppach, Germany	100.0	5,933	0 *
2. CANCOM NSG GmbH, Jettingen-Scheppach, Germany	100.0	3,761	0 *
3. CANCOM IT Solutions GmbH, Munich, Germany	100.0	403	10
4. CANCOM physical infrastructure GmbH, Jettingen-Scheppach, Germany	100.0	483	206
5. CANCOM SYSDAT GmbH, Cologne, Germany	100.0	3,105	–57
6. Home of Hardware GmbH, Jettingen-Scheppach, Germany	100.0	377	–146
7. CANCOM SCC GmbH (vormals: BT IT-Consulting GmbH), Stuttgart, Germany	100.0	1,200	–1,499
8. CANCOM Limited., Guilford, UK	100.0	629 [1)]	5
9. CANCOM (Switzerland) AG, Caslano, Switzerland	100.0 [A)]	–170 [2)]	–11
10. CANCOM Computersysteme GmbH, Grambach, Austria	100.0 [A)]	806	–77
11. CANCOM a+d IT Solutions GmbH, Perchtoldsdorf, Austria	100.0 [B)]	104	–241
12. Novodrom People Value Service GmbH, Jettingen-Scheppach, Germany	100.0	25	0**
13. acentrix GmbH, Jettingen-Scheppach, Germany	51.0 [C)]	39	39
14. CANCOM Service Center Süd GmbH, Jettingen-Scheppach, Germany	100.0	26	1
15. CANCOM Financial Services GmbH, Jettingen-Scheppach, Germany	100.0	96	20
16. NSG Datacenter Services GmbH, Jettingen-Scheppach, Germany	100.0	24	–1
17. CANCOM IT Services GmbH, Jettingen-Scheppach, Germany	100.0	25	0
		16,866	–1,751

A) = held directly through CANCOM Deutschland GmbH

B) = held directly through CANCOM Computersysteme GmbH

C) = held directly through CANCOM IT Solutions GmbH

1) = converted at the reporting date rate of 1 GBP = 0,89 EURO

2) = converted at the reporting date rate of 1 CHF = 1,48 EURO

* Profit transfer agreement signed with CANCOM IT Systeme Aktiengesellschaft

**Profit transfer agreement signed with CANCOM physical infrastructure GmbH

Responsibility Statement of the company financial statement CANCOM IT Systeme Aktiengesellschaft

The members of the executive board have assured that the company financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the company, and the company management report includes a fair review of the development and performance of the business and the position of the company, together with a description of the principal opportunities and risks associated with the expected development of the company.

Jettingen-Scheppach, Germany, 9 March 2010

Klaus Weinmann Paul Holdschik Rudolf Hotter

Executive Board of CANCOM IT Systeme Aktiengesellschaft

We have audited the annual financial statements (consisting of the balance sheet, income statement and notes to the accounts) of CANCOM IT Systeme Aktiengesellschaft, Jettingen-Scheppach, Germany, including the accounts and management report, for the financial year from 1 January to 31 December 2009. The accounting system and the preparation of the financial statements and management report according to German commercial law and the supplementary provisions of the articles of association are the responsibility of the legal representatives of the Company. Our task is to submit an opinion, based on our audit, on the annual financial statements, including the accounting system used, and on the management report.

We have conducted our audit of the Company's annual financial statements in accordance with Section 317 of the German Commercial Code (Handelsgesetzbuch, HGB), in compliance with the German standards for the audit of financial statements laid down by the German Institute of Auditors (Institut der Wirtschaftsprüfer, IDW). These require us to plan and perform the audit in such a way that inaccuracies or irregularities significantly affecting the asset, financial and earnings position of the Company presented by the Company annual financial statements prepared in compliance with the principles of proper accounting, and by the management report, can be detected with reasonable certainty. In establishing the audit procedures, we took into consideration our knowledge of the Company's business activities, and of the economic and legal environment in which the Company operates, as well as our expectations with regard to possible errors. The audit reviews the efficacy of the internal controlling system relating to the accounting system and seeks proof for the details provided in the accounts, the financial statements and the management report primarily on the basis of random checks. The audit includes an assessment of the accounting principles applied, and the significant estimates made by the Company's legal representatives, as well as an appraisal of the overall presentation of the facts by the annual financial statements and the management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit did not give rise to any objections.

In our opinion, based on the information we have obtained during our audit, the annual financial statements conform with the legal requirements and the supplementary provisions of the articles of association, and give a true and fair view of the assets, financial situation and earnings of the Company, while complying with the principles of sound accounting practice. The management report is in line with the financial statements, it gives a true overall picture of the Company's situation, and presents an accurate view of the opportunities and risks of future development.

Augsburg, Germany, 9 March 2010

S&P GmbH
Wirtschaftsprüfungsgesellschaft

Tobias Wolf	Johann Dieminger
Certified auditor	Certified auditor

CANCOM IT Systeme AG financial calendar

Important dates

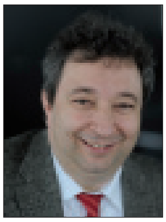
Interim Report Q1 / 2010	**12 May 2010**
Annual General Meeting in Augsburg, Germany Start: 11 Uhr Location: IHK für Augsburg und Schwaben Stettenstraße 1–3 86150 Augsburg, Germany	**22. Juni 2010**
Interim Report Q2 / 2010	**11 August 2010**
Interim Report Q3 / 2010	**11 November 2010**
Analysts' Conference within the German Equity Forum in Frankfurt, Germany Start: Time is not yet determined Location: Congress Center der Messe Frankfurt Ludwig-Erhard-Anlage 1 60327 Frankfurt, Germany	**22.-24. November 2009**

CANCOM

Executive Board

Dipl.-Kaufmann
Klaus Weinmann
CEO

Paul Holdschik
member of the
Executive Board



Dipl.-Betriebswirt
Rudolf Hotter
member of the
Executive Board

Supervisory Board

Walter von Szczytnicki
Chairperson,
self-employed management
consultant

Dr. Klaus F. Bauer
Deputy Chairperson,
corporate lawyer

Stefan Kober
Member of the Supervisory Board,
member of the board of management
of AL-KO Kober AG, Kötz, Germany

Raymond Kober
Member of the Supervisory Board,
member of the board of management
of AL-KO Kober AG, Kötz, Germany

Walter Krejci
Member of the Supervisory Board,
managing director of Auriga Corporate
Finance GmbH, Munich, Germany

Regina Weinmann
Member of the Supervisory Board,
managing director of WFO
Finanzberatung GmbH, Aystetten, Germany

CANCOM IT Systeme AG
Messerschmittstraße 20
D–89343 Jettingen-Scheppach
Germany
www.cancom.de