2012

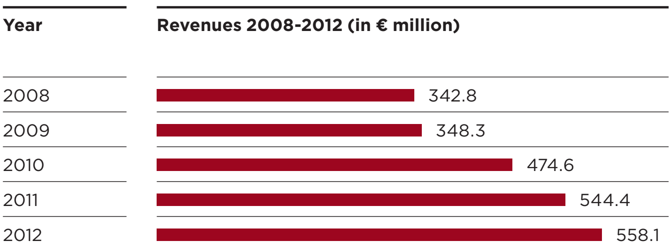
ANNUAL REPORT
CANCOM SE

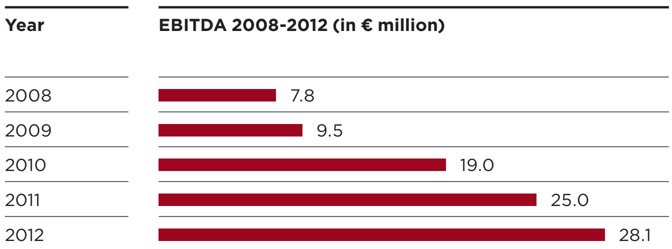
CANCOM

Overview of key figures

OVERVIEW OF KEY FIGURES CANCOM GROUP (IN € MILLION)

	2012	2011	2010	2009	2008
Revenues	558.1	544.4	474.6	348.3	342.8
Gross profit	166.2	159.3	142.9	110.5	102.8
Consolidated EBITDA	28.1	25.0	19.0	9.5	7.8
EBITDA magin (%)	5.0	4.6	4.0	2.7	2.3
Consolidated EBIT	20.7	18.5	15.2	7.1	5.6
After-tax profit from continuing operations	12.3	12.0	9.6	5.0	3.2
Earnings per share from continuing operations €	1.15	1.14	0.92	0.48	0.31
Balance sheet total	208.6	194.9	177.4	134.9	120.7
Equity	80.8	60.9	51.0	43.9	38.9
Equity ratio (%)	38.7	31.2	28.7	32.5	32.2
Adjusted average number of shares (in 1,000) (diluted)	10,570	10,391	10,321	10,387	10,391
Employees as of December 31	2,076	2,044	1,943	1,740	1,643
Cash and cash equivalents as of December 31	44.6	44.4	31.5	25.8	18.3





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CANCOM Group

Since the foundation of the company in 1992 CANCOM has transformed from a pure IT trading company into one of the leading IT full-service providers in Germany. In addition the company is one of the most significant partners of HP, Microsoft, IBM, SAP, Symantec, Cisco, Citrix and VMware and the largest European partner of Apple and Adobe.

With the transformation from a pure supplier for hardware and software into an IT service provider and system integrator in 2004 CANCOM set a major milestone and an early basis for the growth over the following years. Since 2010 the group adjusted its portfolio consistently towards cloud solutions that today composes one of our most important area of business.

Today CANCOM has more than 30 branches in Germany and Austria and employs over 2,000 workers across the group.

New appearance, familiar power

The recent development of the group and relocation of the company's headquarter to Munich led to the decision to reinforce and to continue our history of success with a new corporate design.

„ The claim **Plan. Build. Perform.** expresses our standard, to design, to integrate and to operate IT-environments and IT systems for highest efficiency and capability."


CANCOM
CANCOM

Awards

Within the past few years CANCOM developed individual IT solutions that met the specific needs of modern IT-environments and in return the company received by the customers the coveted award "**Germany's best system integrator**" already for the forth time in a row in 2012. It shows that CANCOM as IT architect, system integrator and managed services provider is perfectly capable of understanding and fulfilling the personal needs of the customers.

But CANCOM seemed not only to satisfy the customers but also its employees. So CANCOM received the „**European IT-Workplace of the year**" award and was therefore selected as one of the top three companies with the most attractive work environment for employees and applicants. CANCOM believes that employees are the guarantors for success and is therefore keen to encourage postgraduate training and upgrading of skills in order to further strengthen them for their employment by the customer.

At the "**IBM Bestseller Awards 2012**" awards ceremony CANCOM was bestowed with the IBM Bestseller Award in the category Technology Support Services (TSS). Furthermore CANCOM received the IBM Center of Technical Excellence Award. This reward honors quality certifications within different areas and is an acknowledgement for the high investments in developing skills.

Excellent competence in the environment of cloud computing

The award "**Best Cloud Partner**" awarded by Citrix is particularly valuable as recognition for the best strategic and continuing implementation of cloud projects. This award makes CANCOM the number one in cloud computing environment. In addition CANCOM is only one of a few selected partners of the Citrix Cloud Advisor Programs in Germany.

" The awards highlight the important work of customer support and the development of individual, professional and future-orientated IT solutions."

Expertise and innovative solutions for more success

The traditional workplace in the office as many of you still know it, is "outdated". Companies and workers promote and demand for a rather flexible way of working with different devices that can be used everywhere and all the time. While a good and undisrupted communication offers competitive advantages, the use of the latest set of technological instruments is meant to boost the efficiency and productivity of the employees.

As well flexibility and mobility are more and more required, as limitless exchange of information and a steady data availability. Besides the variety for the use of communication media and devices within the company becomes richer. The need to use the newest mobile devices to carry out complex business applications at any time and place demands for an efficient and high-tech IT environment. The IT is shaped by trends such as Cloud Computing, Mobility and Unified Communication & Collaboration (UCC). The CANCOM Group established and positioned itself as a successful system integrator, cloud architect and managed services provider and secures its sustainable success by systematical identifying, understanding and making use of IT mega trends.

Cloud Computing

During last year only, cloud computing generated sales of more than 5 billion Euro. According to the inter-trade organization BITKOM a growth by almost 50 per cent took place. This development demonstrates that cloud computing is the „Way of Computing" of the future. Cloud computing dynamically makes IT resources available on the internet with the option for the user to chose requested applications including all functions provided by a virtual desktop. These desktops and variable applications are within the cloud made available by central data center and do therefore not depend on the client or physical distance. CANCOM designed, builds and operates IT environments supports the users by the transformation to cloud computing. In order to make this transformation projectable and calculable CANCOM has developed a complete Private Desktop Cloud Architecture and the CANCOM AHP Private Cloud, which has proved its worth for many years made available for the customer in a turnkey state.

Unified Communication & Collaboration (UCC)

The way of communicating is changing and with it the professional working style. The use of communication media and devices becomes more and more varied and diverse: Employees communicate by mail, telephone, video, chat, blog, etc. with different devices such as telephone, PC, notebook, tablet or smartphone. UCC makes it possible for companies to deal with these changes.
Employees have the option to be available at any time and at any place by using any device of their choice they are able to access information and to communicate with other persons. CANCOM offers companies cross-solution know how, wide ranging services and a cohesive portfolio for design and implementation of integrated UCC projects.

Mobility

In the field of Mobility innovative technologies are leading to rapid speed concerning the development of new mobile devices, applications and services. At the same time mobility raises various business demands on intelligent and flexible IT structures because devices have to be integrated into the company's IT systems in a secure and reliable manner.CANCOM provides optimum solutions which suit all branches and special applications individually. The portfolio includes for example solutions for mobile devices and infrastructure, fully integrated mobility solutions such as mobile business solutions, mobile data and apps such as mobile access up to managed services and operation.

IT-Security

The importance of IT-security in companies is rising due to the advancing level of technology and especially through the use of Cloud Computing. CANCOM provides tailor-made security concepts for customers. The company's spectrum of services ranges from analysis and evaluation of security and network infrastructure to the design of state-of-the-art security solutions to delivery and implementation of systems.

According to a research carried out by the consulting company CENTRACON most companies do already have a clear vision of the IT-workplace of the future. While at this point classical aspects such as availability and security take highest priority, the demand is growing to get standardization of desktops including organization of services and processes. In addition the independence of location and devices becomes more and more important. The automation of IT-workplaces and the possibility to gain dynamic and modular access to services are regarded as especially user-friendly. One significant finding of the research showed that the influence of the Digital Native users of the next generation, which identify with the digital world in a self-evident way, will cause a much larger demand of change within companies than many of us could imagine at this point.

„ The workplace of the future
is flexible, mobile and already
present at many companies."

Aims, vision and strategies

In the future CANCOM wants to further grow organically concentrating on profitable and high-growth market segments such as integrated IT solutions, consulting and managed services.
IT future trends such as cloud computing build the main core for our portfolio. The focus is based on Private Cloud solutions and the CANCOM AHP Private Cloud.

In the E-Commerce environment we aim at developing the distribution of customized shops through our new platform for E-Supply-Chain. Customized shops are web-based customers-shops, that contain a fixed, individual range of products and therefore optimize the procurement process for the customer due to optimization of linking their systems.

Furthermore the growth should still be supported by attractive acquisitions that create values. The objective is to further develop the market share of the CANCOM group by gaining regional support and complementary skills.

"Based on highly qualified employees we want to achieve revenues of one billion euro in the medium term, going along with above-average profitability."

Dear Shareholders,

For the CANCOM group, the financial year 2012 was characterised by further successes and many positive developments, which have brought us remarkable results again. Not only do we now provide our customers with an even more attractive range of products and services, but, thanks to our own private cloud solution, we have also established ourselves as probably the most successful German provider of integrated IT solutions in the cloud computing segment. The best proof of our strength is the fact that last autumn we won the Citrix Best Cloud Partner award for 2012. This award, coming from such a major player in the cloud business as Citrix, is a seal of approval for CANCOM and our expertise. We are proud of our success, which encourages us to embark on further new projects to develop the group.

The group was given the title of Best Integrated IT Solutions Provider by the renowned IT trade magazines ChannelPartner and Computerwoche in 2012 for the fourth consecutive time. We see this award as proof of the satisfaction and loyalty of our customers. The title was awarded not only for our strong project expertise and outstanding project management skills, but also because we offer good value for money, faithfulness to deadlines and short response times, thanks to our large number of employees.

The visible success of the company has also resulted in our share price rising in the past year, and has enabled us to increase our share capital. This has meant a further considerable improvement in the company's equity structure. Strong financial resources have always been particularly important to us, as they make CANCOM independent and allow strategic growth and a sustainable and stable dividend policy.

At the extraordinary meeting of shareholders in December 2012 we resolved to convert CANCOM AG into the European legal form of CANCOM SE. This process has now been completed. Our plan in taking this step was to encourage the development of a more modern corporate culture, in order to give the company strength for further development, and particularly to improve access to the international capital markets. CANCOM is now included in the TecDAX technology index of the German stock exchange, a move which commits us to continue our rapid growth and further development of our business.

We celebrated our 20th anniversary in 2012 in a particularly successful year. It showed us that we made the right decisions with regard to company acquisitions over the past few years and recognised the major trends of the future. Of course, we realise that this success is ultimately based on the CANCOM group working together successfully as a whole. Along with our move into our new head office premises in Munich, Germany, at the end of 2012, we have decided to reinforce the CANCOM brand with a new logo and standardised corporate design, and to position the group in the high-end IT environment, using the tagline "Plan. Build. Perform."

We would like to take this opportunity to thank our employees for their hard work, commitment and dedication, and we thank our customers, partners, shareholders and investors for their sustained loyalty and confidence in us.

We start into a year 2013 full of further challenges and look forward to an exciting and successful financial year.

Klaus Weinmann Rudolf Hotter

Executive Board of CANCOM SE

" We will continue to manage CANCOM value-oriented and thereby rely on the increase in the long-term cash flow."

German equity market performance

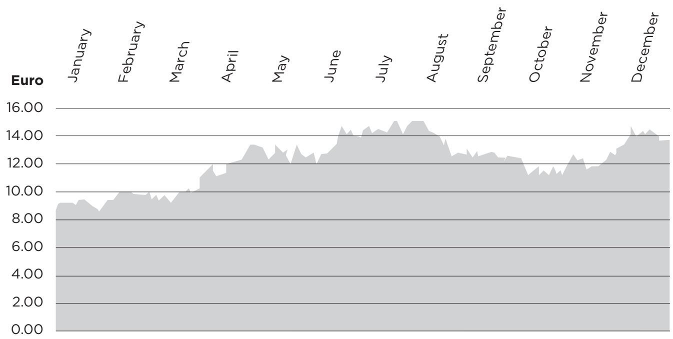
2012 was a good year on the financial markets. Despite the continuing sovereign debt crisis affecting some eurozone countries, the blue-chip index of Deutsche Börse, DAX, posted its best start to a year since its introduction in 1988. It finally closed up 25 percent at 7,612.39 points. One of the decisive factors in this increase was the assurance from large central banks internationally that they would take all steps necessary to stabilise the euro. The DAX peaked in December at 7,672.10 points. The technology index of Deutsche Börse, TecDAX, also gained around 18 percent over the year, closing at 828.11 points.

CANCOM share price performance

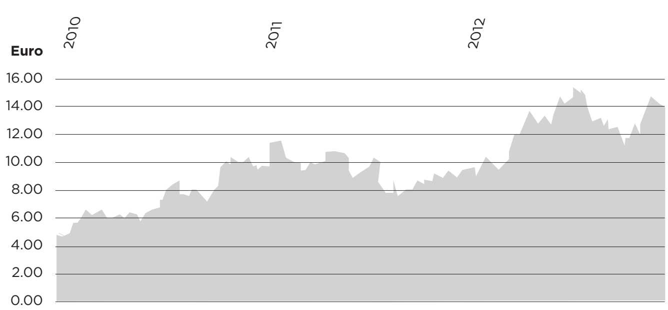
The positive performance of the DAX influenced the CANCOM share, which started the year at an opening price of € 8.73. It had already reached its low by January, at € 8.46, after which it gained steadily. The inclusion of the CANCOM share in the TecDAX in June gave it a further boost, until it reached its yearly high of € 15.13 in July. After another stock market correction, which caused the price to slip back to € 10.78 by October, the share recovered, finally closing at € 13.49.

In Deutsche Börse's TecDAX ranking, CANCOM is placed 31st in terms of market capitalisation as at 31 December 2012. During the months remaining after inclusion of its share in the TecDAX, the company moved up four places. CANCOM's ranking measured by trading volume has improved from 31 to 27, owing to the higher liquidity of the share.

Share Performance January – December 2012



Share Performance 2010 – 2012



KEY FIGURES AND TRADING STATISTICS ON THE CANCOM SHARE

		2012	2011
Price at start of year	€	9.11	9.32
Price at end of year	€	13.49	8.81
Peak	€	15.13	11.40
Low	€	8.46	6.70
Performance – absolute	€	+4.38	-0.51
Performance – relative	%	+53.05	-5.72
Market capitalisation at year-end	Mio. €	153.8	91.6
Earnings per share	€	1.15	1.14

Closing price Xetra trading system

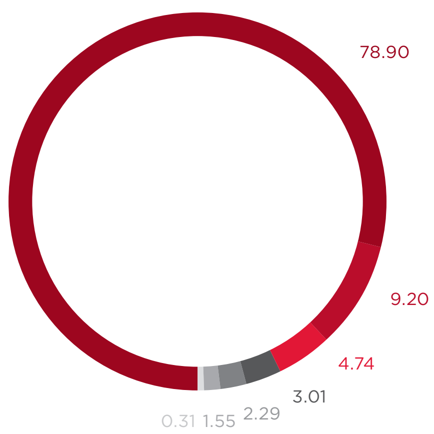
RESEARCH-COVERAGE

Deutsche Bank AG
Hauck & Aufhäuser Research GmbH
Warburg Research

Shareholder structure

There was a major change in the structure of shareholdings in CANCOM in 2012. All 1,039,075 shares issued following a resolution by the Executive and Supervisory Boards in October were purchased by Dr Johann Vielberth, a businessman based in Regensburg, Germany. The share purchase gave Dr Vielberth a shareholding of more than 9 percent in CANCOM, making him the largest shareholder in the company.

SHAREHOLDER STRUCTURE AS AT 31 DECEMBER 2012 (%)



Freefloat	78.90
ELBER-Beteiligungsgesellschaft mbH	9.20
Allianz Global Investors Europe GmbH	4.74
Axxion S.A.	3.01
Stefan Kober	2.29
Klaus Weinmann	1.55
Petra Neureither	0.31

Dividends

CANCOM's aim is to pursue a consistent dividend policy. After the record results in the financial year 2012 and in view of the company's good cash position, the Executive and Supervisory Boards will propose to the general meeting of shareholders that the dividend be increased by 5 cent to 35 cent per share. This represents a dividend ratio of approximately 30 percent of the consolidated after-tax profit, compared with 26 percent in 2011, and is in line with the Executive Board's target of achieving a dividend ratio of 30 to 50 percent in the medium term.

As at 31 December 2012, the number of shares with dividend rights was 11,429,826. The total dividend payment for the financial year 2012 is therefore € 4.0 million.

General meeting of shareholders

The ordinary general meeting of shareholders of CANCOM took place on 21 June 2012 at the Haus der Bayerischen Wirtschaft conference centre in Munich, Germany. The Executive Board and the Supervisory Board of the company welcomed around 100 shareholders and their proxies, who together represented 39.96 percent of the share capital. Well over 90 percent of shareholders present were in agreement on all agenda items, demonstrating the high level of confidence in CANCOM's management.

An extraordinary general meeting of CANCOM was held on 18 December 2012, also at the Haus der Bayerischen Wirtschaft conference centre in Munich. The main item on the agenda was the proposed conversion of CANCOM AG into a European public company, or societas europaea (SE). Over 98 percent of the shareholders present, representing 43.38 percent of the share capital, voted in favour of all points on the agenda regarding the company's conversion to CANCOM SE.

Investor and public relations – communication with the capital market

Active, open and transparent financial communication is of central importance to CANCOM. The company places great emphasis on fulfilling its duties, particularly with regard to its investor and public relations activities.
Maintaining an extensive, up-to-date website is very important to CANCOM, as is keeping in personal contact with shareholders, investors and analysts, as well as business and specialist media.

Up-to-date information about the CANCOM share can be found on the Investor Relations pages of our website at www.cancom.com.

Combined management report for CANCOM SE and the CANCOM group

for the financial year from 1 January to 31 December 2012

1. Business and general economic situation

The CANCOM group is one of the leading providers of IT infrastructure in Germany and Austria. With its decentralised distribution and service structure, as well as central services in areas such as purchasing, warehousing, logistics, marketing, product management and human resources, the group is well placed for sustainable, profitable growth.

Legal structure of the CANCOM group

CANCOM SE (formerly CANCOM AG), based in Munich, Germany, performs the central financial and management role for the equity investments held by the CANCOM group.

A resolution was passed at the general meeting of shareholders on 18 December 2012 to convert CANCOM AG into a European public limited company (or Societas Europaea), as CANCOM SE. The conversion was recorded in the commercial register on 28 February 2013. CANCOM SE will be referred to in this report as CANCOM.

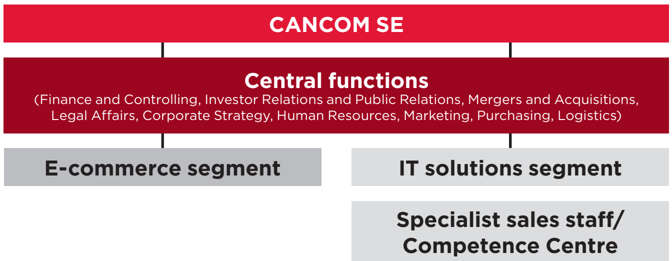
Business areas

The e-commerce business segment comprises CANCOM Deutschland GmbH, CANCOM Computersysteme GmbH, CANCOM a+d IT solutions GmbH and CANCOM (Switzerland) AG, in addition to the cost centres of CANCOM cloud solutions GmbH allocated to CANCOM Deutschland GmbH, with the exception of the cost centres of CANCOM Deutschland GmbH allocated to CANCOM IT Solutions GmbH and CANCOM cloud solutions GmbH. This business segment primarily includes the group's transaction-based and product-related business via Internet, catalogue, telesales and direct sales. CANCOM Ltd, which was sold during the financial year 2012, was also allocated to this business segment.

The IT solutions business segment comprises CANCOM IT Solutions GmbH, CANCOM NSG GmbH, CANCOM NSG GIS GmbH, CANCOM NSG SCS GmbH, CANCOM NSG ICP GmbH, CANCOM physical infrastructure GmbH, acentrix GmbH, CANCOM cloud solutions GmbH, Glanzkinder GmbH and CANCOM Unicorner GmbH, in addition to the cost centres of CANCOM Deutschland GmbH allocated to CANCOM IT Solutions GmbH and CANCOM cloud solutions GmbH, with the exception of the cost centres of CANCOM cloud solutions GmbH allocated to CANCOM Deutschland GmbH. This business segment of the CANCOM group offers comprehensive services relating to IT infrastructure and IT applications. The range of services offered includes IT strategy consulting, project planning and project implementation, system integration, maintenance and training, as well as numerous IT services, right through to full and integrated IT operation.

Group structure

The structure of the CANCOM group ensures that its control and management is highly efficient. It also provides strong support for operational units through central business divisions and specialist sales staff.



Focus of activities and sales markets

The CANCOM group is one of the three largest independent integrated systems providers in Germany. It offers IT architecture, systems integration and managed services. As a provider of integrated services, CANCOM mainly focuses on IT services, in addition to distributing hardware and software from prestigious manufacturers. Its IT services range includes design of IT architectures and IT landscapes, design and integration of IT systems, and system operation.

The CANCOM group's customer base therefore primarily includes commercial end-users, from independent professionals to medium and large-sized companies and groups, as well as public-sector institutions. CANCOM operates mainly in Germany, Austria and Switzerland.

Explanation of the control system used within the group

To control and monitor the performance of the individual subsidiaries, CANCOM analyses their monthly figures for, among other things, sales revenues, gross profit, operating expenditure and operating profit, and compares these key figures with the original plan as well as the quarterly forecast. For the purpose of management control, the company also regularly uses external indicators such as inflation rates, interest rates, the general economic trend and the performance of the IT sector, including forecasts. Cash management procedures include daily status assessments.

Research and development activities

Innovation is very important for economic momentum and growth. As it is purely a service and trading enterprise, CANCOM does not conduct any research. Its development work focuses mainly on software solutions and applications in IT growth segments such as cloud computing, virtualisation, mobile solutions, IT security and managed services. Research is very limited in scope and is mainly used for the group's own purposes.

Cloud computing offers enormous benefits for companies, their IT departments, and for users. Its main advantage is that it provides applications and access to company data from a central point, independent of location, time and equipment. Further development work was carried out during the financial year 2012 on the CANCOM AHP Private Cloud, a high-tech cloud computing platform first developed in 2010. This is an integrated out-of-the-box solution based on standard technologies. There were also developments in the online or e-procurement business, app programming for mobile business applications, and work on the implementation of a new ERP system for a subsidiary.

Competitive position

According to a survey by the Federal Statistical Office of Germany in April 2012, there are more than 75,000 information technology companies in Germany. However, they vary greatly in terms of their size and the range of services they offer. Only about 20 of these companies have a turnover of more than € 250 million, and CANCOM is one of them.

A study by the trade magazines COMPUTERWOCHE and ChannelPartner in August 2012 showed that CANCOM was the third-largest independent integrated IT systems provider, measured by the amount of turnover generated in Germany.

COMPUTERWOCHE and ChannelPartner survey users every year to find out which companies they find the most customer-friendly. Among the largest integrated systems providers, with turnover above € 250 million, CANCOM was ranked first in 2009, 2010, 2011 and 2012. More than 3,500 users took part in the survey. Marks were given for qualities such as project expertise, project management, response times and meeting of deadlines, value for money and post-project support (maintenance, training etc.).

According to the German Association of the Information Industry, Telecommunications and New Media (BITKOM), the total volume of the German IT market in 2012 was € 72.8 billion. This means that, with an annual turnover of € 558.1 million, the CANCOM group has a market share of around 1 percent at present. The three largest German integrated IT systems providers in the ChannelPartner ranking have a market share of around 5 percent between them. The smaller and medium-sized companies together account for by far the largest market share. This reflects the very fragmented nature of the German IT market.

Environmental report

As an IT trading and services company, CANCOM aims 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 offers innovative solutions across its entire range of products and services, in order to make a professional contribution to the environmentally-friendly and resource-conserving use of information 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's use of advanced, intelligent systems, particularly in the area of communications and collaboration – such as for video conferencing – enables energy and resources to be conserved. The resulting reduction in travel by employees leads to lower CO_2 emissions, in addition to benefits such as process optimisation and considerable cost savings.

The general economic situation

There was only slight growth in the German economy in 2012. Growth over the year as a whole was below the rate of 2011, at 0.7 percent. Private consumption and particularly exports were the strongest supports for the domestic economy. On the other hand, investment by companies was down, evidently because of the uncertainty caused by the debt crisis. In the fourth quarter, German economic output was 0.4 percent lower than in the previous quarter.

	Gross domestic product in 2012 * (real change compared with 2011, as a percentage)
Eurozone	- 0.5
Germany	+ 0.7
UK	- 0.1
USA	+ 2.2
World	+ 2.9

* Forecast: Deutsche Bank Economic Research, 31 January 2013

Inflation over the year 2012 as a whole was lower than in 2011, at 2.0 percent compared with 2.3 percent.

The European Central Bank reduced the key interest rate for the eurozone from 1.0 percent to just 0.75 percent in July 2012, bringing it to a record low. In the United Kingdom the base rate has also remained at a historic low of 0.5 percent since 2009. The US Federal Reserve has kept the prime rate between zero and 0.25 percent since December 2008.

The unemployment rate fell by 0.3 percent to 6.8 percent in 2012, according to the information published by the German Federal Employment Agency.

The performance of the information technology sector

The year 2012 was a good one for the IT sector. According to the latest estimates by the German Association of the Information Industry, Telecommunications and New Media (BITKOM), the German IT market grew by 2.3 percent in 2012.

Within the sector, the IT hardware segment grew by 1.1 percent, the IT software segment by 4.4 percent and the IT services segment by 2.1 percent.

	Performance of the German IT market in 2012 ** (real change compared with 2011, as a percentage)
IT market as a whole	+ 3.2
Hardware	+ 1.1
Software	+ 4.4
Services	+ 2.1

** Forecast: BITKOM, October 2012

Overview of the CANCOM group's business performance

The CANCOM group continued on its path of growth in the financial year 2012. Consolidated sales revenues and consolidated operating profits both exceeded the figures for the previous year, reaching the highest levels in the history of the company.

Consolidated sales revenues were up by 2.5 percent, from € 544.4 million to € 558.1 million.

Consolidated gross profits rose by 4.3 percent, from € 159.3 million in 2011 to € 166.2 million in 2012. The gross profit margin improved from 29.3 percent to 29.8 percent.

Consolidated EBITDA rose by 12.4 percent year on year, from € 25.0 million to € 28.1 million.

Consolidated EBIT was up 11.9 percent from € 18.5 million to € 20.7 million.

The consolidated profit for the year (including discontinued operations) was € 11.6 million, compared to 11.7 million in 2011. This resulted in earnings per share from continuing operations of € 1.15, compared with € 1.14 in 2011.

Total assets rose from € 194.9 million to € 208.6 million owing to CANCOM's continued growth. The nominal equity capital rose from € 60.9 million to € 80.8 million. This resulted in an equity ratio of 38.7 percent, compared with 31.2 percent in 2011.

The positive earnings position again resulted in a significant positive operating cash flow of € 16.1 million in 2012, compared with € 26.7 million in 2011.

Cash and cash equivalents were almost unchanged, from 44.4 million at 31 December 2011 to € 44.6 million at 31 December 2012.

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. Below is a description of events that had a significant effect on the group's business performance, as well as other important events and investments in the financial year 2012:

- Since 5 March 2012, the CANCOM subsidiary formerly known as Plaut Managed Services GmbH has been operating under the name of CANCOM cloud solutions GmbH.

- In its meeting on 20 March 2012, the Supervisory Board approved the sale of the group's wholly-owned UK subsidiary CANCOM Ltd. The reason for selling the company was the group's intention to focus on the higher-margin business customer segment.

- In their meeting on 21 June 2012, The Executive Board and the Supervisory Board of CANCOM resolved to start the process of converting CANCOM AG into a European public limited company, or Societas Europaea (SE), with the name CANCOM SE. Among other things, the advantages of the European legal structure are that it will promote the development of a more modern corporate culture and improve access to international capital markets. The resolution regarding the change of legal structure was passed at an extraordinary general meeting of shareholders of the company on 18 December 2012.

- CANCOM acquired a 49 percent shareholding in Glanzkinder GmbH, one of the German market leaders in the area of app programming, as well as an option to buy a further 2 percent of the company. The acquisition is documented in a notarised agreement dated 22 June 2012. The acquisition is part of a plan to expand CANCOM's business in the high-growth mobile business environment.

- CANCOM purchased 100 percent of the shares in Unicorner GmbH, a software distribution company based in Stuttgart, Germany. The acquisition is documented in a contract of sale dated 18 September 2012. Unicorner specialises in the distribution of hardware and software, as well as IT integration, and offers customised solutions and comprehensive support services for customers in the field of research and education. The acquisition of Unicorner complements CANCOM's existing business and expertise in this environment.

- On 25 October 2012, the Executive Board passed a resolution to increase the share capital. The Supervisory Board gave its approval to this decision. The company's share capital was increased by € 1,039,075 by using authorised capital. The statutory pre-emption subscription rights of existing shareholders were excluded, and 1,039,075 notional no-par-value bearer shares were issued in exchange for cash contributions. This increased the company's share capital from € 10,390,751 to € 11,429,826. The issue price was set very close to the stock market price, at € 11.00.

- For the purpose of expanding its e-commerce business, CANCOM has invested in a new web technology that considerably improves the setting-up of customer-specific shops. The e-supply chain is an integrated platform, which optimises the entire procurement process by customer integration and system link-up.

- As a managed services provider, CANCOM operates entire data centres, or parts of them, for its customers. In order to expand its position as a leading provider of private cloud solutions, it has invested in an own data centre infrastructure at the state-of-the-art data centre of M-net, a Munich-based telecommunications company. This enables CANCOM to offer customers integrated managed hosting and cloud services.

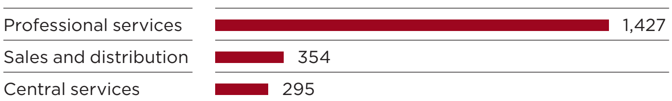
- In October 2012, CANCOM moved into the group's new corporate head office at Erika Mann Strasse 69 in 80636 München, Germany.

- Investments were made in a group-wide unified communications and collaboration (UCC) system during 2012. This innovative, trend-setting solution replaces all existing telephone equipment and represents the future of workplace communications.

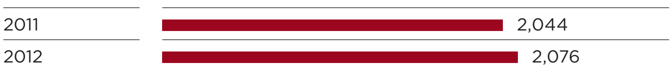
Employees

The CANCOM group employed an average of 2,040 people in the financial year 2012, compared with 2,036 employees in continuing operations in 2011. As at 31 December 2012, the group had 2,076 staff members, compared with 2,044 staff members in continuing operations in the previous year.

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



Number of employees in the CANCOM group, 2011 – 2012
(as at 31 December)



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

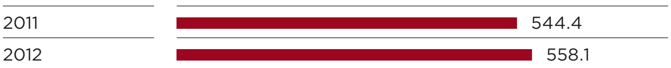
	2012	2011
Wages and salaries	95,342	91,551
Social security contributions	16,689	16,060
Pension provisions	332	350
Total	112,363	107,961

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

a) Earnings position

The sales revenues of the CANCOM group rose from € 544.4 million to € 558.1 million in 2012, representing growth of 2.5 percent. The main expansion was in the group's cloud business. Steady demand from customers also contributed to the growth.

Sales revenues of the CANCOM group, 2011 – 2012 (in € million)



Sales revenues in Germany rose by 5.4 percent, from € 502.0 million to € 529.1 million. In international business, group sales revenues were down from € 42.4 million to € 29.0 million.

In the e-commerce business segment, sales revenues decreased by 15.8 percent, from € 188.4 million in 2011 to € 158.6 million in 2012. In the IT solutions segment, sales revenues were up 12.2 percent, from € 356.0 million to € 399.5 million. In comparison with the previous year parts of the segment e-commerce were reclassified to the segment IT solutions.

Consolidated gross profits were up by 4.3 percent, from € 159.3 million in 2011 to € 166.2 million in 2012. The gross profit margin improved from 29.3 percent in 2011 to 29.8 percent in 2012.

Gross profit of the CANCOM group, 2011 – 2012 (in € million)

Owing to the expansion of the group's activities in the higher-margin consultancy and services segment, there has been an increase in personnel expenditure from € 108.0 million to € 112.4 million. Other operating expenses fell slightly to € 25.8 million.

Consolidated earnings before interest, tax, depreciation and amortisation (EBITDA) rose by 12.4 percent in 2012, from € 25.0 million to € 28.1 million.

EBITDA of the CANCOM group, 2011 – 2012 (in € million)

Consolidated earnings before interest and tax (EBIT) were up by 11.9 percent, from € 18.5 million to € 20.7 million.

EBIT of the CANCOM group, 2011 – 2012 (in € million)

The CANCOM group succeeded in increasing its profits further in 2012, partly through the extra revenues from the companies it has acquired since 2008. The group has also improved its results by focusing on high-income and high-growth market segments such as IT solutions, IT consulting and managed services, and by gearing the portfolio towards emerging trends such as cloud computing.

The consolidated profit for the year (including discontinued operations) was € 11.6 million, compared with € 11.7 million in financial 2011. This resulted in earnings per share from continuing operations of € 1.15, compared with € 1.14 in the previous year.

The order position

In the e-commerce business segment and parts of the IT solutions business 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, and for this reason they are not published.

In the IT solutions business segment, orders are often placed over long periods. The order situation in reference to the reporting date therefore is also not significant. The high demand for CANCOM AHP Private Cloud still continued during the first quarter of 2013 (on the date of the preparation of the management report). Orders in the cloud environment do often have long project duration and contain higher preproduction costs and opportunity costs but on a long term these orders lead to steady and sustainable sales and revenues.

Thanks to the steady services business – which now accounts for around two thirds of the consolidated gross profit (total output less materials costs and services rendered) – as well as the healthy balance sheet, the management feels the group is in a strong position within the IT sector.

Explanations of individual items on the statement of income

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

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 in such a way 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 amount to € 106.6 million (2011: € 109.8 million), and include trade accounts payable, in addition to the component of long-term debt due within a year, subordinated loans and capital from profit participation rights, provisions and other current liabilities. The decline in current liabilities in comparison with 2011 is mainly owing to the repayment of debt and the maturing of profit participation rights (PREPS) in 2012.

The non-current liabilities, which amount to € 21.2 million (2011: € 24.2 million), are liabilities with a residual term of at least one year.

In the financial year 2010, CANCOM received a commitment from the German publicly-owned development bank, Kreditanstalt für Wiederaufbau (KfW), to provide funds totalling € 8.8 million under its ERP Innovation Programme. This programme finances both research and development measures (part 1 of the programme) and the market introduction (part 2 of the programme) of new products, procedures 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).

In the financial year 2007, CANCOM concluded a contract with Bayern Mezzaninekapital GmbH & Co. KG for the provision of mezzanine capital amounting to € 4 million. This must be repaid in full by 31 December 2015. In the financial years 2011 and 2012, € 1 million was repaid early under an early repayment agreement. If the reported actual EBITDA is 50 percent of the planned EBITDA or higher, the mezzanine capital provider will receive additional earnings-related commission charges of 0.5 percent per annum.

The financing structure shifted in favour of long-term financing again over the course of the year. About half of the interest-bearing liabilities, which totalled € 10.7 million (2011: € 14.2 million), consisted of long-term debt and about half was profit participation rights and subordinated loans.

The current liabilities and the current portion of long-term debt as well as the current portion of profit participation rights and subordinate loans amount to only € 1.3 million (2011: € 9.1 million). Additionally, the liable equity capital was increased by retention of profits.

There was a significant increase in nominal equity capital during the year to € 80.8 million (2011: € 60.9 million) as a result of an increase in share capital by issuing shares in exchange for cash, as well as increased profits. There was also an increase in the equity ratio from 31.2 percent in 2011 to 38.7 percent as at 31 December 2012.

On the assets side, current assets rose to € 146.8 million. The main reason for this was a 22.3 percent increase in trade accounts receivable from € 72.2 million to € 88.3 million, owing to the expansion of business activities, the extension of payment terms for a major customer and the lack of any factoring during the year. However, there was a reduction in inventories from € 15.0 million to € 8.7 million.

Non-current assets rose to € 61.9 million. The increase in property, plant and equipment is mainly the result of investments in motor vehicles and in the new data centre in Munich, Germany. Also included are leased installations in the new group head office, and the group's new UCC equipment.

Total assets rose to € 208.6 million, compared with € 194.9 million in 2011. Further details on 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 business activities and the higher profits for the year before taxes and minority interests, there was a positive cash flow of € 16.1 million from operating activities, compared with € 26.7 million in 2011. The decline is mainly the result of income tax payments and an increase in the volume of accounts receivable. There was a negative cash flow from investing activities of € 10.6 million, compared with a negative cash flow of € 7.9 million in 2011. There was a negative cash flow from financing activities of € 5.3 million, compared with a negative cash flow of € 5.8 million in 2011. This is mainly owing to the cash inflows from the increase in share capital against cash contributions, and the cash outflows resulting from the repayment of loans. Overall, this gave rise to cash and cash equivalents of € 44.6 million, compared with € 44.5 million in 2011. On balance, the earnings, financial and assets position of the group improved further in the financial year 2012.

3. Earnings, financial and assets position of CANCOM SE

CANCOM performs the central financial and management role with regard to the equity investments held by the CANCOM group. The risks and opportunities of CANCOM are therefore the risks and opportunities of its equity investments. These are commented on in more detail in the report on risks and opportunities in section 7.

The sales revenues of CANCOM amounted to € 8.1 million in 2012, compared with € 7.5 million in 2011. The net income for the year was € 7.4 million, compared with € 11.2 million in 2011.

Total assets as at 31 December 2012 were 3.0 percent higher than in 2011, at € 82.3 million, compared with € 79.9 million in 2011. CANCOM's equity capital was up 28.2 percent, from € 55.7 million to € 71.4 million. As a result, the company's equity ratio rose from 69.7 percent in 2011 to 86.8 percent in 2012.

CANCOM increased its share capital by issuing shares in exchange for cash contributions during the financial year 2012. The share capital was increased by € 1,039,075, from € 10,390,751 divided into 10,390,751 shares, to € 11,429,826 divided into 11,429,826 shares.

Cash and cash equivalents as at 31 December 2012 were € 9.0 million, down from 17.3 million in 2011. Net liquidity (cash and cash equivalents less liabilities to banks) was € 6.8 million, compared with € 11.4 million in 2011.

Overall, the company's assets, earnings and financial position continued to be robust in 2012.

4. Disclosures required under takeover law

In the paragraphs below are disclosures required under Section 315, paragraph 4 of the German Commercial Code (Handelsgesetzbuch, HGB). With regard to individual disclosures relevant to takeovers, we refer to the notes to the consolidated financial statements and the notes to the financial statements of CANCOM SE.

Share capital: amount and division

The share capital of CANCOM as at 31 December 2012 amounted to € 11,429,826 divided into 11,429,826 notional no-par-value bearer shares. Each share represents € 1 of the share capital. The shares are evidenced by global certificates, and the shareholders have no claim to the issue of individual physical share certificates.

Each notional no-par-value share carries a voting right at general meetings of shareholders. There are no different classes of shares. The same rights and duties are attached to all shares. There are no holders of shares with special rights that confer controlling powers.

For details regarding authorised and conditional capital, please see page 73 of the notes to the consolidated accounts.

Purchase and use of the company's own shares

On 22 June 2010, the general meeting of shareholders of CANCOM authorised the company to purchase a proportion of its own shares representing up to 10 percent of the share capital existing as at 22 June 2010, provided that the shares were purchased on or before 20 June 2015.

According to the resolution, the company can purchase its own shares, excluding existing shareholders' pre-emption subscription rights, in order to use them for any legally permissible purpose, particularly the purpose set out in the resolution, or to repurchase or withdraw them.

At no time may the purchased shares, together with other treasury shares held by the company or attributable to it in accordance with Sections 71 d and 71 e of the German Stock Companies Act (Aktiengesetz, AktG), account for more than 10 percent of the share capital.

The authorisation to purchase the company's own shares, to withdraw, sell or use them in another way may be exercised once or several times, singly or combined, or in tranches.

The shares may be purchased on the stock exchange, via a public offering to all shareholders, or via a public request to shareholders for submission of sales offers.

The authorisation resolved by the general meeting of shareholders on 24 June 2009 ended as soon as the new authorisation became effective. The Executive Board did not make any use of this authorisation in financial 2012.

Direct or indirect equity investments of 10 percent or more

CANCOM is not aware of any direct or indirect equity investments exceeding 10 percent of the voting rights as at 31 December 2012.

Appointment and dismissal of members of the Executive Board

The appointment and dismissal of members of the Executive Board is governed by Sections 84 and 85 of the German Stock Companies Act (Aktiengesetz, AktG) in conjunction with Section 39 and Article 9, paragraph 1 c ii of Council Regulation (EC) No 2157/2001 on the Statute for a European Company. The Supervisory Board determines the number of members in the Executive Board. CANCOM follows the recommendations of the German Corporate Governance Code when appointing members of the Executive Board, taking into account the company's specific situation.

Changes to the articles of association

Changes to the articles of association are governed by Sections 133 and 179 of the German Stock Companies Act (Aktiengesetz, AktG). Any resolution regarding a change to the articles of association must be passed by at least a three-quarters majority vote of the share capital represented at the general meeting of shareholders. The articles of association may differ in this respect from the legal stipulations and impose additional requirements. However, where there is a proposal to change the object of the company, the majority vote required to pass such a resolution may only be increased. The articles of association of CANCOM do not contain any such provision. The general meeting of shareholders may confer on the Supervisory Board the authority to make amendments that merely concern the wording. At CANCOM, this has been done by means of section 11 of the articles of association.

Significant agreements entered into that are subject to alteration in the event of a change of control

The 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 is entitled to resign his current post as CEO and terminate his contract at six months' notice, as long as this is done within nine months after the change of control takes legal effect. In the event of his resignation, his emoluments would be paid by the company for two years, but not longer than 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.

5. Remuneration report

The remuneration report summarises the basic principles applied to setting the total remuneration of the Executive Board of CANCOM and explains the structure and level of Executive Board members' emoluments and the remuneration of the Supervisory Board members. The report is based on the recommendations of the German Corporate Governance Code and contains details in compliance with the requirements of the German Commercial Code (Handelsgesetzbuch, HGB) as well as International Financial Reporting Standards (IFRS). The remuneration report forms a part of the notes to the consolidated accounts.

5.1 Remuneration of the Executive Board

The Supervisory Board is responsible for setting and monitoring the remuneration of Executive Board members. The remuneration depends, inter alia, on factors such as the size of the company, its financial situation and the level of remuneration of the executive boards of comparable companies, both within and outside the IT sector. The tasks and the contribution of the relevant Executive Board member are also taken into account. The system of Executive Board remuneration used at CANCOM is geared towards the sustainable development of the company.The remuneration system for the Executive Board was approved by the annual general meeting on 8 June 2011.

5.1.1 Components of Executive Board remuneration

The remuneration of the Executive Board is performance-related. In 2012, the remuneration of Klaus Weinmann and Rudolf Hotter consisted of a fixed payment (basic salary) and a variable bonus. There is no equity-based element to the Executive Board remuneration.

The fixed remuneration is paid as a monthly salary. Whether the variable bonus is paid, and how much is paid, depends on whether the target EBITDA of the CANCOM group for the financial year 2012 is achieved. Half of the variable bonus is a short-term bonus based on the achievement of objectives (over one financial year), and the other half is a long-term bonus (for three financial years). The bonus paid to Klaus Weinmann is 1.0 percent of the EBITDA generated, while Rudolf Hotter's bonus is 0.5 percent of the achieved EBITDA. The amount of the bonus payment is capped for the financial year in question. If there is a significant worsening of the results within the three-year period of calculation in comparison with the relevant planned figures, the Executive Board members are obliged to pay back in full or in part the bonus payments received, in a type of negative incentive system.

The 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 is entitled to resign his current post as CEO and terminate his contract at six months' notice, as long as this is done within nine months after the change of control takes legal effect. In the event of his resignation, his emoluments would be paid by the company for two years, but not longer than the remainder of his term of office. Compensation for observing the changed restraint on competition would be deducted from the emoluments paid. In the event that the employment contract expires, or ends through the resignation/discharge of the Executive Board member, the Executive Board contracts provide for a severance payment as well as a compensatory payment for observing the restraint on competition.

The Executive Board members did not hold any stock options for CANCOM in the financial year 2012. No benefits were paid.

5.1.2 General overview of Executive Board remuneration

The following level of remuneration was set for the Executive Board members in the financial year 2012 (rounded figures):

The remuneration of the CEO, Klaus Weinmann, consists of a fixed payment of € 502 thousand, an annual bonus of € 561 thousand and other remuneration components amounting to € 20 thousand. His total remuneration is € 1,083 thousand. The remuneration of the other Executive Board member, Rudolf Hotter, consists of a fixed payment of € 334 thousand, an annual bonus of € 281 thousand and other remuneration components amounting to € 5 thousand. His total remuneration is € 620 thousand. The total remuneration of the Executive Board for the financial year 2012 is € 1,703 thousand.

5.2. Remuneration of the Supervisory Board

A resolution on remuneration of the Supervisory Board was passed at the general meeting of shareholders on 21 June 2012. The resolution is recorded in article 13 of the current articles of association for CANCOM. The Supervisory Board's remuneration consists purely of a fixed salary. The Chairperson and the Deputy Chairperson are paid a higher salary than the other Supervisory Board members.

5.2.1. Components of Supervisory Board remuneration

According to the articles of association, 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 resolution passed by the general meeting of shareholders on 21 June 2012, each member receives a payment of € 20 thousand. The Deputy Chairperson receives double the amount paid to the other members, and the Chairperson receives four times the amount. Each member also receives an attendance fee of € 1 thousand. The attendance fee for the Chairperson of the Supervisory Board is € 2 thousand. 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 for any expenses incurred in direct connection 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.

5.2.2. General overview of Supervisory Board remuneration

The Supervisory Board members received the following remuneration in the financial year 2012 (rounded figures):

The remuneration of the Chairperson of the Supervisory Board, Walter von Szczytnicki, was € 97 thousand. The Deputy Chairperson, Stefan Kober, received € 49 thousand. Raymond Kober received € 15 thousand, Walter Krejci € 29 thousand, Regina Weinmann and Petra Neureither each received € 24 thousand, and Professor Dr Arun Chaudhuri € 14 thousand. The total remuneration of the Supervisory Board members in 2012 was € 252 thousand.

5.3 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. In its meeting on 21 June 2012, the Supervisory Board of the company resolved that a deductible should be applied to D&O insurance for its members.

The consultancy agreement in place between CANCOM and the Chairperson of its Supervisory Board, Walter von Szczytnicki, since 2007 ended in June 2012. The remuneration paid in the financial year 2012 was € 30 thousand.

The mergers and acquisitions consultancy agreement with Auriga Corporate Finance GmbH, Munich, Germany entered into in 2007 on the occasion of the election to the Supervisory Board of Walter Krejci, managing director of Auriga Corporate Finance GmbH, also ended in June 2012. No payments were made for consultancy under this agreement in the financial year 2012.

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

CANCOM has made the corporate governance declaration required by Section 289a of the German Commercial Code. The declaration is available to the public on the company's website at www.cancom.com.

7. Risks and opportunities report

As an international operator in a fast-moving sector, the CANCOM group faces many risks and opportunities, which may have considerable impact on CANCOM's business performance, and thus also on its financial and assets position and profits. Of course, there are always risks associated with business opportunities. CANCOM's aim, therefore, is to achieve a sustainable increase in the value of the company for our shareholders by means of an optimal balance between the risks and opportunities.

Risk and opportunity management

One of the basic principles of responsible business management based on shareholder value maximisation is that management should exploit business opportunities while at the same time anticipating and controlling the associated risks. Continuous management of opportunities and risks by means of an efficient early warning and monitoring system is an integral element of the strategic and business development as well as the internal monitoring and control systems of the CANCOM group.

CANCOM's management closely monitors and assesses market trends and the competitive situation, using the information it finds to identify potential opportunities in the relevant business areas and set appropriate targets and measures at annual planning meetings with the Executive Board and operational management.

The group's risk management system is aimed at identifying 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.

Risk identification, assessment and documentation

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

As part of its risk analysis procedure, CANCOM regularly classifies and measures risks according to the probability of their occurrence and their severity, and then arranges the information 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 to whom the particular risk has been assigned.

For risks to the company as a going concern, CANCOM's risk management system defines 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 ongoing and timely control of existing and future risks. They also provide the best possible guarantee that the Executive Board and the Supervisory Board are informed in good time of any possible major risks.

CANCOM has put together a risk manual, which documents the organisational rules and measures for risk identification, analysis, assessment, quantification, management and control. The manual also describes the appropriate way to handle business risks at CANCOM.

Group accounting

The main features of the internal control system and the risk management system existing at CANCOM with regard to the (group) accounting process are as follows:

- CANCOM has a clear management and corporate structure, in addition to a schedule of responsibilities. Cross-departmental key functions are centrally controlled by CANCOM SE.

- The functions of the departments with the greatest involvement in the accounting process are clearly divided. The areas of responsibility are clearly 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 IT area to protect CANCOM's financial systems against unauthorised access. Where possible, standard software is used in the financial systems.

- There is an integrated approach to corporate governance, in which all elements – risk management, compliance management, the in-house audit department and the internal control system – influence each other. The effectiveness of the various elements is regularly checked.

- An appropriate system of guidelines (for example accounting, payment and travel cost guidelines etc.) is in place, and is continuously updated. The main assets of all the companies are regularly tested for impairment, and there is a manual that covers the checking of all accounting-related processes.

- All accounting-related processes are subject to cross-checking.
- Accounting-related processes are inspected by the in-house audit department, which is independent of these processes.
- The risk management system and the internal control system have appropriate measures for the control of 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 is continuously checked in order to ensure it is complete and correct. This is done by means of spot checks, among other methods. There is 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 managerial staff of the Finance department.

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, is intended to ensure 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 creates the necessary organisational structure for 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 the process provides for assets and liabilities in the annual and consolidated financial statements to be accurately recognised, reported and valued, and for comprehensive, reliable and relevant information to be made available quickly.

Risks of future development

The following paragraphs provide an overview of the risks classified as substantial, and the possible future developments or events that would have a negative impact on the CANCOM group. In addition to the risk factors mentioned below, CANCOM may be exposed to other risks which are not yet known, or which are currently felt to be insignificant, which could be equally damaging to the business.

External business risks

The outlook for 2013 is dampened by the difficult environment created by the debt crisis in the eurozone and the situation in the US market. This could also influence companies' willingness to invest in IT, resulting in the postponement of spending in this area, although generally companies will catch up on IT investment at a later point.

CANCOM's business activities throughout Europe expose it to strong competition in the various national sales markets through its range of products and services. As the IT sector is characterised by particularly fast and frequent changes, 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, which is generally associated with a fall in incoming orders and may lead to increased competitive pressure.

In addition, there is a risk from dependence on individual large customers. Thanks to 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 Atos group, particularly Atos IT Solutions and Services GmbH. A significant reduction in orders from companies in the Atos group could have a considerable negative impact on the sales and results of the CANCOM group. The risk connected with dependence on the Atos 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. We cannot rule out the risk that these business fields might not perform as well as anticipated, with consequential risks for the assets, financial and earnings position. We attempt to reduce this risk by focusing on our core business. Our long-standing and sound knowledge of the market situation benefits us in this respect.

There are also risks inherent in CANCOM group's strategic orientation. For instance, acquisitions may not perform as well as expected and have a negative impact on CANCOM's business performance. A significant worsening of the general economic conditions could also have a major negative impact on the group's business prospects.

Project risks

CANCOM delivers high-quality, professional IT solutions, which require it to take responsibility for complex installation, system integration, software, operational management and outsourcing projects for its customers. This may give rise to technical risks connected with the execution of the project, as well as contract risks, that could take significant proportions due to the complexity of the IT solutions and integration depth in regard to customers' processes. Before drawing up quotations for projects, CANCOM reviews all requests to establish whether they are technically and financially feasible. The focus is on ensuring that the customer receives the best possible solution, while taking adequate account of the risks connected with the project. Internal reviews are also made to establish potential contract risks. Standard contracts are used where possible, and these are controlled by the project management during the course of the relevant project.

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. CANCOM tries to reduce these risks by keeping in close contact with major manufacturers and distributors, and by 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 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.

The company's rapid growth also entails the risk that our administrative structures, as well as our organisational structures and operational processes, cannot be adapted at the same rate as the company grows, 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, by tried, tested and trusted administration and controlling systems, and by 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 for long-term employee retention. There are appropriate rules on deputising, particularly in sensitive and knowledge-intensive areas, so that any negative consequences due to the unexpected absence of an employee are minimised. Continual monitoring of employees' productivity makes it possible to identify at all times the key employees and devote particular attention to them.

Additionally, the shortage of specialist staff in the IT sector could make recruitment more difficult.

Larger projects in the field of costumer service lead to higher risks regarding the disposition of employees. The loss of big projects can lead to higher costs in the personnel area, because adequate personal can often not be used for other projects or adjustments can only be carried out delayed.

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 from 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 in order to best safeguard the availability of IT systems. However, despite 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 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 € 10.0 million. Of this amount, € 8.1 million was easily available, including guarantees. Of course, the company regularly monitors the changes 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. The company has a solid financial standing, a very good equity position and a comfortable cash situation.

- 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, deliveries to CANCOM's customers are generally only made after a credit check has been made. In the financial year 2009, against the background of the financial and economic crisis, the internal guidelines for credit insurance and for the issuing of credit limits were tightened up with regard to both the limits granted and the employees authorised to approve them. There is a cluster risk in respect of demands reffering to the customer Atos IT Solutions und Services GmbH.

- 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 typically 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, sales statistics are automatically drawn up as part of a product range analysis. 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 euro area, which limits the currency risk.

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 currency losses.

- Interest risks

Apart from overdraft facilities, CANCOM 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
A major objective of CANCOM is to acquire, hold and sell equity investments in companies, as well as to carry out activities connected with raising capital.

Dealing in derivatives 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 reporting date CANCOM did not hold any derivatives or structured products. The financial market risk is limited to the price risk connected with the securities held by the company as at the balance sheet date.

Except for the purpose of currency hedging, the authority to purchase or sell derivatives and structured products from or to banks is restricted to the Executive Board and the Executive Vice President, and the cross-checking principle must be followed. This is intended to avoid the possibility of inexperienced persons carrying out transactions of this kind.

- Stock market price risk
Share price fluctuations can have a negative impact on the financial position of CANCOM, especially with regard to raising capital on the capital market. CANCOM therefore sees active financial communication as one of its central management tasks, and attaches great importance to openness and transparency. In addition to maintaining an extensive Internet presence with a comprehensive website, one of the primary objectives of CANCOM's public relations work is to keep in close contact with shareholders, investors, analysts, and business and IT media in the interests of sustaining the share price.

Legal risks

Current or future legal disputes could have a negative impact on the business of the CANCOM group. 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.

Opportunities of future development

CANCOM's business activities throughout Europe in various fields of the IT sector offer many opportunities. The group examines the market and competitive environment closely and on a regular basis, naturally focusing on the latest trends in the sector and in technology.

Below is an overview of the opportunities, potential future developments and events that could have a positive impact on the CANCOM group:

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

CANCOM's business policy is based on continuing 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 through both organic and acquisition-based growth.

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 group's dependence on hardware price trends.

The German market for integrated systems providers has for some years been in a phase of a strong consolidation, and CANCOM has actively been taking advantage of this. Against this background, and with our solid assets position and strong financial resources, there will continue to be opportunities for the group to consolidate its market position further through appropriate acquisitions.

In other sectors there is also a possibility that the process of concentration will advance, and takeover activities and subsequent IT restructuring will give the market additional impetus, which should also benefit CANCOM as a provider of IT products and services.

Companies' increasing requirements with regard to IT and IT infrastructure – for instance to meet compliance guidelines - could particularly boost the demand for hardware, software and services.

Companies' willingness to invest continues to be governed by cost-saving IT solutions and services that provide optimum support for their business processes and bring a sustained improvement in their productivity. Better gearing of IT services to the needs of the various specialist departments, and ultimately the users, is also gaining increasing importance. IT is becoming a business enabler, making it an important factor in a company's competitiveness.

A survey of IT decision makers conducted by the technology company Citrix illustrates the fact that the traditional office workplace is facing competition. The survey found that the workplace of the future is in a variety of locations, both inside the company and outside of it. It is a combination of office, home office and public places such as cafés, hotels or airports.

Cloud-based IT architecture is the only means to gain access to company data securely and inexpensively using any mobile device, at any time and in any place. Of the companies surveyed, 94 percent aim to be in a position to enable their employees to work remotely by 2020. This opens opportunities for cloud providers such as CANCOM. With its extensive expertise in the field of cloud computing, its close partnerships with leading technology partners and, not least, its own cloud solution – the CANCOM AHP Private Cloud – CANCOM is ideally positioned in this growth segment.

	The most important high-tech areas in 2013
Cloud computing	59 %
Mobile applications	48 %
Big data/ business intelligence	37 %
IT security	33 %
Bring your own device	27 %
Social media/ social business	22 %
IT outsourcing	22 %
Business process management	20 %
Collaboration/ enterprise 2.0	18 %
Smart grids/ smart metering	16 %

The most important technology and market trends, from the point of view of ITC companies. Source: BITKOM

Many market experts feel that cloud computing, in which IT services (for instance storage space, computer capacity and various applications) are provided in realtime via the Internet instead of on local computers, will remain one of the dominant trends for 2013. By using cloud computing, companies can significantly reduce their IT costs, improve efficiency and so become more competitive. According to the experts, the market volume of the cloud computing segment in Germany could rise to over € 10 billion within four to five years. This is equivalent to average annual growth of over 30 percent.

A study by market research company IDC shows that the majority of users still prefer the private cloud model. With CANCOM AHP Private Cloud, CANCOM has its own field-tested private desktop cloud solution, enabling it to position itself as a strong and reliable IT partner in the consumer market. Another hot topic that goes hand-in-hand with the development of cloud computing is that of mobile devices and business applications. It is becoming increasingly important for people to be able to access company data and applications from home or while on the move, as this increases the agility and productivity of a company. With the growing use of mobile devices, increasingly high-performance IT infrastructure is also necessary. Mobile devices must also be integrated into company IT systems, and applications customised so that they can run on employees' tablets and smartphones. The latest trend in the area of mobile applications is 'bring your own device' computing, in which employees use their personal smartphones, notebooks and tablets at work. The mobile devices boom also brings with it a trend for each user to have several devices. These developments should have a positive impact on both the trading and the solutions and services business of CANCOM. The group also operates its own competence centre for mobile solutions and has proven expertise and several years' project experience in this environment.

Companies have to invest a certain amount to prepare their IT systems for cloud computing before the actual implementation process, particularly in the areas of IT security, networks, storage and virtualisation. This is because, as cloud computing and mobile applications become more widely used, data protection and security requirements are being stepped up. The CANCOM group's portfolio of IT security solutions brings positive opportunities for the group's business development.

Virtualisation and consolidation solutions also offer effective instruments for reducing IT costs. These solutions provide central, shared use of IT resources, including joint use of entire data centres. For computers at the workplace, there is also a trend towards thin clients. Desktop virtualisation not only enables slim desktop PCs to use individual applications, but also gives access to the entire work environment from a central computer. With professional solutions in the field of centralisation, consolidation and virtualisation, CANCOM will meet the increasing requirements for integrated system landscapes, ensure business continuity and increase the IT efficiency of its customers.

There is also a trend towards the use of social media, blogs and wikis in companies. Social networks, such as Facebook, Google+ and Xing, are becoming increasingly important for 'social business', i.e. corporate communication and online trading. These facilitate fast, direct communication with customers, business partners, potential employees and other interested parties, and allow them to network with each other. In the next four years, according to market research company IDC, software for social networks in companies will draw level with email, which has up to now been the dominant form of communication. Companies are taking advantage of the opportunities offered by social networks and communication blogs to let people know what they have to offer and strengthen customer loyalty. Social media applications also offer companies an opportunity to get a feel for what customers want, and respond accordingly. Certain technological and organisational conditions must be in place before a company can use social media. As a leading IT architecture company, systems integrator and managed services provider, CANCOM can provide its customers with advice on and support with the technological implementation of social media systems and their integration into existing IT landscapes.

According to researchers, the rapid development of social networks, among other things, presents a further challenge to companies and opportunities for IT service providers, such as CANCOM. This is the subject of big data – analysing, managing and using the growing quantities of data generated in many different forms. The trend is towards high-capacity, central data centres with high standards of security. With its many years of expertise in the data centre market, CANCOM has a lot to offer for its customers.

Outsourcing and cloud services – the purchasing of IT resources as a service via the Internet – continue to be in particular demand. The Experton group forecasts that cloud services will account for the largest proportion of total cloud investments between 2013 and 2016, and will experience the fastest growth. Partial or total outsourcing of IT enables companies to keep costs variable, so that IT expenditure only affects operating costs, and no IT investments that tie up capital are necessary. For CANCOM, this business segment not only offers attractive growth prospects, but reduces dependence on economic trends thanks to extended contract periods, so making business development easier to plan. Also, projects in the field of outsourcing and cloud services promise higher margins than orders in the conventional trading business.

CANCOM offers more than two decades of experience in IT consultancy and integration combined with innovative services. The group gives independent advice, and creates economical and technically optimised system infrastructures. CANCOM employees have many years of project experience and have been certified by major manufacturers for the latest technologies. On top of this, CANCOM has established various measures to attract, further develop and retain high-potential employees – highly qualified skilled staff and managers. CANCOM was recognised as one of the most popular IT employers of the year when it won an award for being European IT Workplace of the Year 2012. This is a worthwhile accolade which will benefit CANCOM's personnel marketing and recruitment of employees. CANCOM was one of the top three companies in the category of over 1,000 employees. The European IT Workplace Award is an initiative from the independent BQI Best Quality Institute in Munich, Germany, in conjunction with the German Association of the Information Industry, Telecommunications and New Media (BITKOM) and the renowned weekly IT trade magazine COMPUTERWOCHE.

With its portfolio of services, CANCOM is positioned in the IT growth areas identified by experts. Specialist sales staff facilitate the focus on particular IT segments by providing dedicated technical know-how. The expertise of the specialist sales staff is available to the sales and services units of all CANCOM group companies.

CANCOM's concepts and solutions help its 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-critical applications continue operating flawlessly, offer customers business flexibility and support them in setting up adaptable companies in which business processes and IT are in step with each other.

With a comprehensive range of ITC services and over 1,400 highly skilled and qualified employees in its professional services division, CANCOM offers IT solutions and managed services tailored to individual needs, and thus creates added value for customers.

In the trading business, there are opportunities in e-commerce. Companies are increasingly switching to placing orders via their own e-procurement system. The importance of e-commerce solutions for procurement and purchasing is therefore increasing. With e-procurement solutions and customised shops, for instance, corporate procurement processes can be even more efficiently organised. 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's expertise is in offering customers individual e-commerce solutions, ranging from the conventional web shop to electronic linking of the product range to the customer's merchandise management systems.

9. Events of particular significance after the reporting date

The process for conversion of CANCOM AG into CANCOM SE was completed on 28 February 2013 when the change of legal form was entered in the commercial register. The conversion has no impact on the asset, financial and earnings position of CANCOM and CANCOM Group.

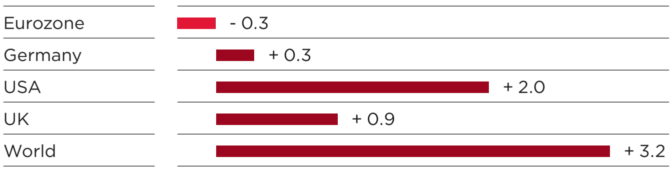
Until the time of the preparation of management report by the Executive Board there were no significant events with any long-term impact on the asset, financial and earnings position. Regarding the first quarter the Executive Board reckons that sales and results will be below the previous year's level.

10. Forecast

The IT sector will continue to be characterised by a high speed of innovation. The complexity and multiplicity of solutions will increase further, driven by, among other things, new product developments, and changed working practices and patterns of use. This will increase companies' IT requirements. Against this background, it can be expected that demand for innovative and intelligent IT solutions will continue to increase.

The outlook for the German economy in 2013 is promising. The economic barometer of the German Institute of Economic Research (Deutsches Institut für Wirtschaftsforschung, DIW) predicts that gross domestic product (GDP) will rise by 0.2 percent in the first quarter of the current year. This would mean a significant reversal of the decline in GDP during the last quarter of 2012. Expert forecasts for GDP growth in 2013 range between 0.3 and 1 percent.

Gross domestic product 2013*
(real change compared with 2011, as a percentage)



* Forecasts: Deutsche Bank Economic Research, 31 January 2013

The mood in the IT sector also continues to be good. It is expected to perform well over the year 2013 as a whole. The majority of companies surveyed for the latest IT sector barometer from BITKOM (the German Association for Information Technology, Telecommunications and the New Media) expects an increase in sales revenues in comparison with 2012. BITKOM experts anticipate that the German IT market will grow by 3.0 percent in 2013, compared with 2.3 percent in 2012.

Growth of 1.2 percent is forecast for IT hardware, compared with 1.1 percent in 2012, and the software segment is expected to grow by 5.1 percent, compared with 4.4 percent in 2012. Growth of 3.0 percent is anticipated for the IT services segment, compared with 2.1 percent in 2012. New devices for mobile Internet access have the strongest potential for growth. This is reflected, for instance, in the rapid development of the tablet market. The app market is growing particularly strongly, resulting in higher revenues from software. However, IT services may also experience growth, thanks to outsourcing and cloud computing.

IT research specialists IDC expect the IT market in Germany to perform well in the medium term, if the economy remains stable. On average, IT expenditure by companies will increase by 2.9 percent per year between 2011 and 2016, so that the volume of the IT market will amount to more than € 65 billion at the end of the forecast period. Cloud solutions will account for 5 percent of total IT expenditure in 2013, according to estimates by market research institute Experton. According to the analysts, this trend will accelerate further in the coming years owing to increasing digitisation in all areas of life and business. In 2014 the German cloud computing market will also grow by more than 50 percent. By 2017, cloud computing will account for between approximately 15 and 17 percent of IT expenditure.

CANCOM was early in gearing its business policy to the future IT trends referred to above, and designed its sales and services structure around them. The expansion of the e-commerce business and the new CANCOM web shop have brought further reductions in process and transaction costs both for customers and for the CANCOM group, which should result in greater profitability of the group's trading business.

In order to take advantage of the trends and efficiently translate them into solutions for customers, CANCOM provides ongoing support for employees who wish to undergo further professional training and certification. With this aim in mind, CANCOM is building on strong, close partnerships with the manufacturers of leading technologies. As part of a plan to encourage younger employees, CANCOM attempts to attract highly qualified specialists as new employees, while developing the group's existing high-potential employees and encouraging them to acquire management and project-related skills.

CANCOM has expanded its market presence and improved its customer proximity in the German-speaking countries. The group 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 the German-speaking countries by means of targeted acquisitions. The market continues to offer favourable conditions for this policy.

As part of its commitment to quality management, CANCOM strives to achieve a steady improvement in customer satisfaction and in the efficiency of specific business and work processes.

The financial and assets position was improved further in the financial year 2012. Sales revenues and operating profits were up again on the previous year.

CANCOM aims to continue growing at a faster rate than the IT market, on the basis of its proven expertise and outstanding market position in the IT growth areas described. Further acquisitions are also planned, to contribute to the steady expansion of the group's market share. The competitive position achieved by the group provides a good basis for attaining the medium-term growth and profitability targets set out in our vision statement.

Owing to the investments in the e-commerce segment and the group's good positioning in the growth market of cloud computing, the Executive Board expects medium-term increases in the sales revenues and profits if the demand for IT products and services remains steady or rises.

Against the background of the group's positive performance in 2012, the Executive Board currently expects that, provided economic conditions continue to be good, the sales revenues and profits of the group as a whole will be good in 2013 and 2014, and its financial situation will continue to be positive.

Munich, Germany, 12 March 2013

Klaus Weinmann   Rudolf Hotter

CANCOM SE
The Executive Board

This document contains statements and information about the future that are based on the assumptions and estimates of the Executive Board of CANCOM SE. These statements are identifiable by words and phrases such as 'plan', 'intend', 'wish' 'will', 'expect', 'anticipate' etc. and are based on current expectations, assumptions and assessments. Although we feel that these statements and comments are based on realistic expectations, we cannot guarantee their correctness, especially in our forecast. 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, among others, 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 position and 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

Dear Shareholders,

The Supervisory Board congratulates the Executive Board on the record figures achieved by the CANCOM group in the past year. With sales revenues of € 558.1 million and consolidated profits of € 11.6 million in the financial year 2012, the group has consolidated and reinforced its basis for further growth. The Members of the Supervisory Board have guided CANCOM on this path and are committed to providing continued support.

As the group has achieved good and sustainable profits, the management has decided to propose to the general meeting of shareholders that a dividend should be paid again this year. It is proposed that a dividend of 35 euro cent per share be paid to shareholders, compared with 30 euro cent in 2011. It is felt that this supports the company's growth strategy appropriately.

General notes on the work of the Supervisory Board

The Supervisory Board carried out the tasks set by law, the articles of association and the rules of procedure in 2012. In order to do this, it held four regular meetings, at each of which all of its Members were present. These were held on 20 March, 21 June, 25 September and 18 December 2012. In addition, an extraordinary Supervisory Board meeting regarding the increase in share capital and the agenda for the extraordinary general meeting of shareholders was held by conference call on 25 October 2012. There was also a constitutive meeting of the future Supervisory Board of CANCOM SE following the extraordinary general meeting of shareholders on 18 December 2012.

As part of their usual close cooperation, the Executive Board and the Supervisory Board had regular meetings together. The Executive Board also promptly informed the Supervisory Board of matters arising by a combination of written correspondence, phone calls and face-to-face discussions. This meant that the Supervisory Board was updated regularly on the company's situation and its prospects for the future, the principles of corporate policy, the company's profitability and major business transactions. The Supervisory Board was also regularly advised by the Executive Board of notable developments and involved in important decisions. When necessary, resolutions were passed in writing. Because it was kept thoroughly updated by the Executive Board, the Supervisory Board was able to perform its supervisory and advisory functions fully.

The Supervisory Board performed with great care the inspection and control tasks it was required to do by law and the articles of association in 2012. When necessary, it requested reports from the Executive Board between Supervisory Board meetings. The Supervisory Board was involved in all decisions for which it is responsible under law, the articles of association or the rules of procedure. In addition, the Supervisory Board was directly involved in all decisions of fundamental importance for the company. No conflicts of interest arose with any Members of the Supervisory Board.

To help it to carry out its functions in the financial year 2012, the Supervisory Board formed two committees in its meeting on 21 June 2012. One is an Audit Committee, whose members are Walter von Szczytnicki, Petra Neureither and Professor Dr Arun Chaudhuri. Petra Neureither is the Chairperson of the Audit Committee. The first session of the Audit Committee was held by conference call on 7 November 2012, when its members discussed the focus of the 2012 audit. The other committee set up is a Nominating Committee, comprising Walter von Szczytnicki, Regina Weinmann and Stefan Kober. Walter von Szczytnicki is the Chairperson of the Nominating Committee.

The main focus of the Supervisory Board's activities

In view of the increasingly high-tech nature of professional and private lives, the IT sector continues to face great challenges and profound change. This was the subject of meetings and discussions on the group's strategic orientation, and, related to this, the testing of new markets and expansion of its fields of business.

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 the competition
- Report of the Executive Board in accordance with Section 90, paragraph 1, numbers 2 and 3 of the German Stock Companies Act (Aktiengesetz, AktG) on the course of business, including presentation of the latest monthly reports of CANCOM SE (formerly CANCOM AG) and the CANCOM group
- Report of the Executive Board in accordance with Section 90, paragraph 1, number 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:

- The annual financial statements of CANCOM SE (formerly CANCOM AG) and the consolidated financial statements were approved at the first scheduled meeting of the Supervisory Board, on 20 March 2012. The Supervisory Board discussed the annual report for 2011, particularly the corporate governance report included in it. It also passed a resolution to sign a tenancy agreement for the new group head office at Erika Mann Strasse 69, Munich, Germany.
- The annual general meeting of shareholders held on 21 June 2012 re-elected the Supervisory Board of CANCOM SE. The existing Supervisory Board Members Walter von Szczytnicki, Stefan Kober, Regina Weinmann, Petra Neureither and Walter Krejci, as well as the new Member Professor Dr Arun Chaudhuri were elected onto the six-member board by a large majority. At the Supervisory Board meeting following the general meeting of shareholders, Walter von Szczytnicki was elected Chairperson and Stefan Kober Deputy Chairperson of the Supervisory Board. Petra Neureither was appointed to the Supervisory Board of CANCOM SE as an experienced, independent financial expert in line with Section 100, paragraph 5 of the German Stock Companies Act (Aktiengesetz, AktG). At the same meeting, the Supervisory Board approved the acquisition of an equity investment in the app programming company Glanzkinder GmbH based in Cologne, Germany, and authorised the Executive Board to initiate the process of converting CANCOM AG into CANCOM SE.
- In July 2012, the Supervisory Board approved in writing the plan for conversion of the company, as well as the articles of association for CANCOM SE.
- In the third regular meeting, on 25 September 2012, the Supervisory Board approved the acquisition of Unicorner GmbH Softwarevertrieb based in Stuttgart, Germany.
- At an extraordinary Supervisory Board meeting held by conference call on 25 October 2012, the Supervisory Board gave its approval to the Executive Board's decision to increase the share capital by € 1,039,075 and issue new no-par-value shares, each accounting for a portion of € 1 of the share capital of the company. Shareholders' pre-emptive rights to subscribe to the shares were to be excluded. The issue price was € 11 per share.
- At the fourth regular meeting, on 18 December 2012, the business plan for 2013 was approved following a presentation by the Executive Board on the group strategy. Another item on the agenda was the report on CANCOM AG's system of risk and compliance management, and internal audit. The Supervisory Board discussed the extent to which the recommendations of the latest version of the German Corporate Governance Code were applicable to the company, and agreed the declaration of conformity with the Code. The Supervisory Board also undertook an assessment of its own efficiency, and found that there was no need for improvement.

Conversion to CANCOM SE

The Supervisory Board actively assisted in the conversion of CANCOM AG into a European public limited company (Societas Europae, SE) and covered the process in its meetings on 21 June, 25 September and 18 December 2012. The decision on the change of legal form and the authorisation of the Executive Board to introduce the conversion procedure had been made in principle in the meeting on 21 June 2012. In the meeting on 25 September, the Supervisory Board received a report on the progress made on the conversion of the company. The Supervisory Board's Nominating Committee was kept regularly informed, particularly on the course of the negotiations between management and the special negotiating body regarding the employees' involvement in CANCOM SE.

Composition of the Supervisory Board and the Executive Board

There were no changes to the Members of the Executive Board of CANCOM SE (formerly CANCOM AG) during the financial year 2012. On the Supervisory Board, Raymond Kober resigned with effect from the end of the Supervisory Board's term of office, on 21 June 2012. He was succeeded by Professor Dr Arun Chaudhuri with effect from 21 June 2012.

The Supervisory Board of CANCOM SE was elected by the extraordinary general meeting on 18 December 2012. Its Members are the previous Supervisory Board Members of CANCOM AG: Walter von Szczytnicki, Stefan Kober, Regina Weinmann, Petra Neureither, Walter Krejci and Professor Dr Arun Chaudhuri. In its constitutive meeting on 18 December 2012, the Supervisory Board of CANCOM SE elected Walter von Szczytnicki as its Chairperson and Stefan Kober as its Deputy Chairperson.

The Executive Board was also elected at the constitutive meeting of the Supervisory Board of CANCOM SE on 18 December 2012. Klaus Weinmann was appointed CEO and Rudolf Hotter as the second Member of the Executive Board. Their mandates start on the date on which CANCOM SE was registered in the commercial register and end on 31 December 2017.

Corporate Governance Code

The Supervisory Board is guided by the regulations of the German Stock Companies Act (Aktiengesetz, AktG), as well as the recommendations of the German Corporate Governance Code. In its meeting on 18 December 2012, the Supervisory Board also covered the changes in the new version of the German Corporate Governance Code of 15 May 2012. During the past year CANCOM implemented another of the recommendations of the Code and now complies with all the recommendations. In their meeting on 18 December 2012, therefore, the Executive and Supervisory Boards resolved to issue a declaration of conformity in accordance with Section 161 of the German Stock Companies Act, stating that the company now complies with the recommendations of the German Corporate Governance Code set out in the version of 15 May 2012. The company's corporate governance guidelines are presented in detail on pages 35 to 41 of the corporate governance report.

Annual financial statements of CANCOM SE (formerly CANCOM AG) and the group

The annual financial statements prepared by the Executive Board for CANCOM SE and the CANCOM group for the year ended 31 December 2012, and the combined management report for the group and the company were available for examination at the Supervisory Board meeting on 12 March 2013. The Audit Committee of the Supervisory Board held a meeting on 12 March 2013, in which it dealt with the financial statements and the combined management report for CANCOM SE and the group, as well as the proposal for the appropriation of the retained profit. The Audit Committee also made a recommendation on the Supervisory Board's proposal to the general meeting of shareholders regarding the appointment of an auditor. The Supervisory Board also discussed CANCOM's accounting process and risk management system, the effectiveness of the in-house audit processes, its resources, its findings and the issue of maintaining integrity in financial reporting.

The financial statements and management reports were audited by S&P GmbH Wirtschaftsprüfungsgesellschaft, Augsburg, Germany, the auditor appointed by the general meeting of shareholders. The auditor conducted the audit 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). The auditor gave his unqualified approval to all the financial statements. He was present at the meeting to approve the balance sheet on 12 March 2013, 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 was able to provide additional information as needed. After discussing at length the audit reports, the financial statements and the management reports, the Supervisory Board had no objections to raise. It approved the annual financial statements in accordance with Section 172 of the German Stock Companies Act (Aktiengesetz, AktG).

The Members of the Supervisory Board would like to thank the Executive Board for their reliable and constructive work with us in the financial year 2012. We also thank all employees for their valuable work and great commitment, as well as our shareholders for their confidence in CANCOM.

Munich, Germany, March 2013

On behalf of the Supervisory Board

Walter von Szczytnicki
Chairperson

Corporate governance at CANCOM

I. CORPORATE GOVERNANCE REPORT

The Supervisory Board and Executive Board report on corporate governance at CANCOM in accordance with Sub-section 3.10 of the German Corporate Governance Code published on 15 May 2012. The content and structure of the corporate governance report are based on the structure of the German Corporate Governance Code and the relevant commentaries.

1. Corporate governance at CANCOM

Effective and responsible corporate governance is traditionally a major aspect of CANCOM's corporate culture.

CANCOM therefore welcomes and supports the German Corporate Governance Code, which has been updated and revised many times since it was adopted in 2002. CANCOM complies fully with the recommendations of the current version of the Corporate Governance Code issued on 15 May 2012, and also voluntarily fulfils the non-mandatory suggestions made by the Code. The Executive Board and the Supervisory Board discussed CANCOM's compliance with the Code's standards in depth on 18 December 2012. The declaration of conformity with the Code presented on page 39 was made on the basis of this discussion. It is published on our website.

2. Basic principles of the corporate governance policy

2.1. Shareholders and their general meeting

The general meeting of shareholders is the central decision-making body, at which CANCOM's shareholders can exercise their rights, especially their voting rights. For the past several years, more than 100 shareholders have attended this meeting each year. On 21 June 2012 the company held its general meeting of shareholders in Munich, Germany, for the first time.

The only shares of CANCOME SE in circulation are ordinary bearer shares. All shares carry the same voting rights, and each no-par-value share entitles its owner to one vote, in accordance with the articles of association. The general meeting of shareholders passes resolutions on matters defined by law and the articles of association, in particular on the appropriation of profit, the discharge of the Executive and Supervisory Board members and the appointment of Supervisory Board members, and it chooses the auditing firm for the financial statements. In addition, the general meeting of shareholders determines the object of the company, the articles of association and any changes to them, and authorises any capital-raising and capital-reduction measures and purchases of the company's own shares.

At their annual general meeting, our shareholders can exercise their voting rights in person or appoint a proxy to vote on their behalf, for example a representative of the company, who is bound to act in accordance with their wishes. Shareholders will be able to take advantage of this opportunity at the next general meeting of shareholders on 18 June 2013 in Munich, Germany, as they have done in previous years. The agenda and the necessary reports and documents for the general meeting of shareholders will be made available to shareholders on the company's website in due course.

2.2. Management and control structure

With its conversion into a European public limited company, CANCOM again opted for a two-tier administrative system, consisting of Executive Board and Supervisory Board. The Executive Board and the Supervisory Board work closely together in the interests of the company. Intensive and continuous dialogue between the two boards forms the basis for efficient corporate management at CANCOM.

2.2.1. The Executive Board – working closely with the Supervisory Board

The Executive Board of CANCOM is the management body of the group and consists of two members – CEO Klaus Weinmann (graduate in business administration) and Rudolf Hotter (graduate in business economics). Klaus Weinmann established the company in 1992 and has been in an executive position since its foundation. As CEO, he is responsible for the central group functions of Finance and Controlling, Investor Relations and Public Relations, Mergers and Acquisitions, Legal Affairs, Corporate Strategy, Human Resources, Marketing, Purchasing and Logistics. Rudolf Hotter is responsible for the operational side of the business, as well as corporate information systems. Both Executive Board members were appointed by the Supervisory Board for a term of office that will end on 31 December 2017. There is an age limit of 65 years for members of the Executive Board.

The work of the Executive Board is geared towards achieving a sustainable increase in the company's going-concern value. The members of the Executive Board bear joint responsibility for the management of the business as a whole. Executive responsibilities include determining the company's business policy and strategy, planning and setting the corporate budget, and preparing the interim and annual financial statements of CANCOM SE and the CANCOM group. This means that, for instance, the six months' and three months' reports are discussed by the Executive Board and Supervisory Board in telephone conferences before they are published.

The Executive Board works closely with the Supervisory Board and informs it regularly, comprehensively and without delay about any issues relevant to the company as a whole, including budgeting, business performance, the financial and earnings position as well as business risks, risk management and compliance. CANCOM also adopted a system of information provision in 2008 in accordance with a recommendation in No. 3.4 of the German Corporate Governance Code. The system regulates the passing of information between the Executive Board and the Supervisory Board and also within the Supervisory Board. The Executive Board passes on any necessary documentation to the members of the Supervisory Board well in advance of Supervisory Board meetings and in consultation with the Chairperson of the Supervisory Board.

The Executive Board's rules of procedure require the agreement of the Supervisory Board for certain important Executive Board decisions.

2.2.2. The Supervisory Board – advising and overseeing the work of the Executive Board

CANCOM's Supervisory Board appoints the Executive Board, oversees its work and advises it on the management of the business. In accordance with the articles of association, it comprises six members. According to the statutes and the targets for its composition set by the Supervisory Board, these members are appointed by the general meeting of shareholders for a maximum period of six years, up to an age limit of 70 years. In accordance with the agreement between the company and the special negotiating body on codetermination in CANCOM SE, there are no employee representatives on the Supervisory Board. The Supervisory Board already meets the recommendations of the German Corporate Governance Code with regard to independence and diversity. There are two women on the Supervisory Board, as well as various members with particular international backgrounds, and the majority of the members are independent. The members of the Supervisory Board are: Walter von Szczytnicki (Chairperson), Stefan Kober (Deputy Chairperson), Walter Krejci, Regina Weinmann, Petra Neureither and Professor Dr Arun Chaudhuri, who all bring proven professional expertise into the enterprise. The members of the Supervisory Board of CANCOM SE were appointed by the extraordinary general meeting on 18 December 2012 for the period up to the end of the general meeting of shareholders that resolves on the discharge of the Supervisory Board for the first financial year of CANCOM SE.

To help it to perform its function in the financial year 2012, the Supervisory Board formed two committees. Their tasks, responsibilities and working processes are in line with the requirements of the German Stock Companies Act (Aktiengesetz, AktG). The Chairpersons of the committees give regular reports to the Supervisory Board on the work of their committees.

The Audit Committee consists of the Supervisory Board members Walter von Szczytnicki, Petra Neureither and Professor Dr Arun Chaudhuri. The Chairperson, Petra Neureither, fulfils the requirements under German law for at least one member of the Audit Committee to be independent and have expertise in the areas of accounting and financial statement auditing. In particular, the Audit Committee oversees the accounting process and monitors the effectiveness of the internal control system and the in-house audit system. It is also concerned with the financial statement audit and its focus, commissioning the auditor and agreeing the fee, and compliance matters.

The Nominating Committee comprises the Supervisory Board members Walter von Szczytnicki, Regina Weinmann and Stefan Kober. Walter von Szczytnicki is the Chairperson of the Nominating Committee. This committee suggests to the Supervisory Board suitable candidates for nomination at the general meeting of shareholders.

Another of the Supervisory Board's duties is to appoint the members of the Executive Board and determine their areas of responsibility. The Supervisory Board meets with the Executive Board at regular intervals to discuss, among other things, business performance and budgeting, as well as the business strategy and its implementation. Important Executive Board decisions, such as major acquisitions, divestments and financial measures, are subject to the approval of the Supervisory Board. It also approves the annual financial statements of CANCOM SE and the CANCOM group, taking into consideration the audit reports.

The Supervisory Board has rules of procedure that govern its work, particularly how it works together as a team.

Corporate governance and compliance are regularly examined and discussed in the meetings of the Supervisory Board and other meetings:

The targets for the composition of the Supervisory Board have been adjusted in line with the recommendation of No. 5.4.1 of the German Corporate Governance Code, allowing for the specific situation of the group. The aim is to achieve a balance within the Supervisory Board in terms of the professional qualifications of its members, but also, by introducing an age limit for Supervisory Board members, to achieve diversity in terms of age as well as nationality, in addition to a proportionate representation of women and independent members. Nominations of candidates for election to the Supervisory Board should be based primarily on the interests of the company, while taking into consideration these targets. Account must be taken of the following factors:

- the knowledge and experience of the candidate, especially knowledge of the company's business and the sector.
- time input and availability: members of the Supervisory Board should have enough time to fulfil their mandate so that the work can be done properly and with the necessary care.
- ensuring that women are proportionately represented on the Supervisory Board.
- ensuring that the Supervisory Board has an appropriate number of members with an international background, bearing in mind the company's current sales area and the area designated in the strategic plan.
- any special knowledge and experience a candidate may have of applying accounting principles and internal control procedures;
- impartiality of Supervisory Board members.
- avoidance of conflicts of interest, especially those arising from fulfilling other roles or functions in the sector in which the company operates.
- specification of an age limit of 70 years at the time of appointment.

The Supervisory Board has already taken some of these criteria into account in the past, for example in the nomination of Walter Krejci, Regina Weinmann, Petra Neureither and Professor Dr Arun Chaudhuri for election at the general meetings of shareholders in 2007, 2009, 2011 and 2012 respectively. The Supervisory Board accordingly has two women members. Some Supervisory Board members also have an international and professional background that enhances their ability to carry out tasks as a Supervisory Board member, and the majority of Supervisory Board members can be considered independent within the meaning of the German Corporate Governance Code. With its current size and composition, the Supervisory Board considers the proportion of women and the number of members with an international background to be appropriate, and stresses that, in filling the positions, prime importance is attached to the special expertise and qualifications of candidates, while other characteristics such as gender or nationality are secondary.

In accordance with their rules of procedure, the members of the Supervisory Board must disclose without delay any conflicts of interest arising. The Supervisory Board must mention in its report to the general meeting of shareholders any conflicts of interest that may have arisen, or that could arise, through a consulting, executive or supervisory function performed for customers, suppliers, creditors or other business partners, and the consequences of these conflicts of interest. There were no conflicts of interest with Supervisory Board members during 2012. Detailed information on positions held by members of the Supervisory Board or Executive Board on supervisory boards or similar controlling boards of other companies can be found on page 80 of the notes to the consolidated accounts.

The Supervisory Board aims to fulfil its role as diligently as possible. For this purpose it carries out an in-depth evaluation of its own efficiency every year. The most recent self-assessment was carried out in the December meeting and found that the Supervisory Board works efficiently and in accordance with the regulations.

2.3. Transparency

CANCOM publishes all information and company announcements regularly and promptly on the company's website. Ad hoc announcements and important corporate news are also published in English on CANCOM's website.

Through its quarterly reports and the annual report, CANCOM informs its shareholders four times per financial year on the group's performance and on its financial, earnings and cash position. CANCOM also provides comprehensive information on a regular basis at the annual general meeting of shareholders, as well as at investor conferences and road shows.

Shareholders are given information on important publication dates and investor relations events in a financial calendar, which is published in the annual report (see page 101) and on the website of the company.

2.3.1. Disclosures in accordance with the German Securities Trading Act (Wertpapierhandelsgesetz, WpHG)

The members of the Executive Board and the Supervisory Board are obliged by Section 15a of the German Securities Trading Act to disclose any purchase or sale of shares of CANCOM SE , or of any financial instruments based on them, if the value of the transactions executed by the member or related persons reaches or exceeds € 5,000 within a calendar year. The transactions reported to CANCOM during the past financial year were notified according to the rules and published, among other places, in the Investor Relations section of the company's website under Directors' Dealings.

2.3.2. Shareholdings of the Executive and Supervisory Boards as at 31 December 2012

The following members of the Executive and Supervisory Boards hold shares in CANCOM SE:

Executive Board	Number of shares	Percentage of share capital
Klaus Weinmann	177,270	1.6 %

Supervisory Board	Number of shares	Percentage of share capital
Stefan Kober	261,289	2.3 %
Petra Neureither	35,000*	0.3 %*

* Shares are indirectly attributed via PEN GmbH.

2.4. Accounting and financial statements audit

The consolidated financial statements and the interim reports are drawn up according to International Financial Reporting Standards (IFRS) as adopted in the EU, and the annual financial statements of CANCOM SE are drawn up according to the provisions of the German Commercial Code (Handelsgesetzbuch, HGB).

The general meeting of shareholders on 21 June 2012 appointed the audit firm S&P GmbH Wirtschaftsprüfungsgesellschaft based in Augsburg, Germany, to audit the annual financial statements for the financial year 2012. CANCOM's Supervisory Board and the auditor work closely together. This encourages an exchange of information and improves the quality of the audit. In order to monitor the effectiveness of the financial statement auditing process, and to check that the auditor fulfils the requirements regarding auditor independence, the Supervisory Board obtained an independence declaration from the auditor.

3. Compliance management

3.1. Code of business conduct

CANCOM is conscious not only of its business responsibilities, but also of its social responsibilities. In order to underline its position, by the autumn of 2005 the company had already adopted a code of conduct covering its relations with the company's various stakeholders.

Since CANCOM's compliance system was set up, its code of conduct, Fairness First, has been brought to the attention of all employees of the group. 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 provisions and internal guidelines and live up to the company's high standards of ethics and quality.

The employees are also regularly reminded of the compliance rules and audit processes as a preventative measure. There is a compliance officer who ensures that the code of conduct is complied with, as well as providing a point of contact for all compliance-related issues. To underline the importance of compliance for the CANCOM group, the rules of procedure for the executives of the group companies were reviewed and adjusted in line with the latest requirements.

The code of conduct is freely accessible to all CANCOM employees via the Intranet. In the event of an evident or suspected violation of the code, those affected should approach the Compliance Officer. CANCOM values and positively encourages open and objective feedback.

3.2. Risk management and the internal control system

CANCOM SE has a comprehensive system for recording and controlling business and financial risks, which is documented in a risk manual. The internal control and risk management systems are designed to recognise significant business risks in advance and to control them. However, they cannot fully eliminate risks and therefore do not offer absolute protection against losses or fraudulent acts.

3.3. Internal audit

The in-house audit department of CANCOM SE is central to the internal corporate governance system. Its function is to assess the effectiveness of the risk management system, the internal controls and the compliance management system, and to help improve them continuously. The Executive Board of CANCOM defines the topics that need closer analysis in the interests of the company, and regularly informs the Supervisory Board of the topics and the findings.

II. DECLARATION OF CONFORMITY

Joint declaration of conformity with the German Corporate Governance Code by the Executive Board and the Supervisory Board of CANCOM AG in accordance with Section 161 of the German Stock Companies Act (Aktiengesetz, AktG)

The previous declaration of conformity with the German Corporate Governance Code was published on 13 December 2011. The Executive Board and the Supervisory Board of CANCOM AG declare that from that date until 27 June 2012, CANCOM AG conformed to the recommendations of the Code issued on 26 May 2010 and published in the electronic German Federal Gazette (Bundesanzeiger) on 2 July 2010, with the following exceptions:

- **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 AG did 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 Supervisory Board. Therefore, there was no deductible on the D&O insurance policy held by CANCOM for the Supervisory Board.

- **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 AG consists of six members, a number appropriately proportionate to the size of the company. It was the opinion of CANCOM AG that setting up committees from within this six-member board would not lead to any improvement in efficiency, and therefore no committees were set up. The Supervisory Board as a whole discussed 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 nominating committee was set up, since all members of the Supervisory Board were shareholders or persons nominated by shareholders.

- **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 AG deviated 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 were offered.

The articles of association were changed by resolution of the general meeting of shareholders of CANCOM AG on 21 June 2012 (Article 10, paragraphs 1 and 2 were revised). Following this change, the Executive and Supervisory Boards of CANCOM AG declare that, since 27 June 2012 – the date on which the change to the articles of association was entered in the commercial register – the company has been fully compliant with the recommendations of the German Corporate Governance Code issued on 15 May 2012 and published in the German Federal Gazette (Bundesanzeiger) on 15 June 2012.

III. REMUNERATION REPORT

The remuneration report summarises the basic principles applied to setting the total remuneration of the Executive Board of CANCOM, and explains the structure and level of Executive Board members' emoluments and the remuneration of the Supervisory Board. The report also covers the remuneration of the Supervisory Board members. The report is based on the recommendations of the German Corporate Governance Code and contains details in compliance with the requirements of the German Commercial Code (Handelsgesetzbuch, HGB) as well as International Financial Reporting Standards (IFRS). The remuneration report forms a part of the notes to the consolidated accounts.

1. Remuneration of the Executive Board

The Supervisory Board is responsible for setting and monitoring the remuneration of Executive Board members. The remuneration depends, inter alia, on factors such as the size of the company, its financial situation and the level of remuneration of the executive boards of comparable companies, both within and outside the IT sector. The tasks and the contribution of the relevant Executive Board members are also taken into account. The system of Executive Board remuneration used at CANCOM is geared towards the sustainable development of the company.

The system of remuneration for the Executive Board was approved by the ordinary general meeting of shareholders on 8 June 2011.

1.1. Components of Executive Board remuneration

The remuneration of the Executive Board is performance-related. In 2012, the remuneration of Klaus Weinmann and Rudolf Hotter consisted of a fixed payment (basic salary) and a variable bonus. The remuneration does not include any equity-based compensation.

The fixed remuneration is paid as a monthly salary. Whether the variable bonus is paid, and how much is paid, depends on whether the target EBITDA of the CANCOM group for the financial year 2012 is achieved. Half of the variable bonus is a short-term bonus based on the achievement of objectives (over one financial year), and the other half is a long-term bonus (for three financial years). The bonus paid to Klaus Weinmann is 1.0 percent of the EBITDA generated, while Rudolf Hotter's bonus is 0.5 percent of the achieved EBITDA. The amount of the bonus payment is capped for the financial year in question. If there is a significant worsening of the results within the three-year period of calculation in comparison with the relevant planned figures, the Executive Board members are obliged to pay back in full or in part the bonus payments received, in a type of negative incentive system.

The 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 is entitled to resign his current post as CEO and terminate his contract at six months' notice, as long as this is done within nine months after the change of control takes legal effect. In the event of his resignation, his emoluments would be paid by the company for two years, but not longer than the remainder of his term of office. Compensation for observing the changed restraint on competition would be deducted from the emoluments paid. In the event that the employment contract expires or ends through the resignation or discharge of the Executive Board member, the Executive Board contracts provide for a severance payment as well as a compensatory payment for observing the restraint on competition.

The Executive Board members did not hold any stock options for CANCOM in the financial year 2012. No benefits were paid.

1.2. General overview of Executive Board remuneration

The following level of remuneration was set for the Executive Board members in the financial year 2012 (rounded figures):

The remuneration of the CEO, Klaus Weinmann, consisted of a fixed payment of € 502 thousand, an annual bonus of € 561 thousand and other remuneration components amounting to € 20 thousand. His total remuneration was € 1,083 thousand. The remuneration of the other Executive Board member, Rudolf Hotter, consisted of a fixed payment of € 334 thousand, an annual bonus of € 281 thousand and other remuneration components amounting to € 5 thousand. His total remuneration was € 620 thousand. The total remuneration of the Executive Board for the financial year 2012 was € 1,703 thousand.

2. Remuneration of the Supervisory Board

A resolution on remuneration of the Supervisory Board was passed at the ordinary general meeting of shareholders on 21 June 2012. The resolution is recorded in Article 13 of the current articles of association for CANCOM. The Supervisory Board's remuneration consists purely of a fixed salary. The Chairperson and the Deputy Chairperson are paid a higher salary than the other Supervisory Board members.

2.1. Components of Supervisory Board remuneration

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 € 20 thousand. The Deputy Chairperson receives double the amount paid to the other members, and the Chairperson receives four times the amount. Each member also receives an attendance fee of € 1 thousand. The attendance fee for the Chairperson of the Supervisory Board is € 2 thousand. 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 for any expenses incurred in direct connection 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.

2.2. General overview of Supervisory Board remuneration

The Supervisory Board members received the following remuneration in the financial year 2012 (rounded figures):

The remuneration of the Chairperson of the Supervisory Board, Walter von Szczytnicki, was € 97 thousand. The Deputy Chairperson, Stefan Kober, received € 49 thousand. Raymond Kober received € 15 thousand, Walter Krejci € 29 thousand, Regina Weinmann € 24 thousand, Petra Neureither € 24 thousand and Professor Dr Arun Chaudhuri € 14 thousand. The total remuneration of the Supervisory Board members in 2012 was € 252 thousand.

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. In its meeting on 21 June 2012, the Supervisory Board resolved that a deductible should be applied to D&O insurance for its members.

The consultancy agreement in place between CANCOM and the Chairperson of its Supervisory Board, Walter von Szczytnicki, since 2007 expired in June 2012. The remuneration paid in the financial year 2012 was € 30 thousand.

The mergers and acquisition consultancy agreement with Auriga Corporate Finance GmbH based in Munich, Germany, entered into in 2007 on the occasion of the election to the Supervisory Board of Walter Krejci, managing director of Auriga Corporate Finance GmbH, also ended in June 2012. No payments were made for consultancy under this agreement in the financial year 2012.

IV. Declaration on Corporate Governance

The declaration on corporate governance in accordance with Section 289a of the German Commercial Code (Handelsgesetzbuch, HGB) is published on the company website. It contains a description of the working practices of the Executive Board and the Supervisory Board, the declaration of conformity in accordance with Section 161 of the German Stock Companies Act (Aktiengesetz, AktG) and details of the principal corporate management practices.

Munich, Germany, March 2013

The Executive Board and Supervisory Board of CANCOM SE

Consolidated balance sheet as at 31 December 2012

ASSETS

(in € 000)	Notes	Financial statements 31/12/2012	Financial statements 31/12/2011
Current assets			
Cash	C.1.	44,638	44,365
Assets held for sale		0	2,080
Trade accounts receivable	C.2.	88,285	72,212
Other current financial assets	C.3.	3,277	5,297
Inventories	C.4.	8,744	14,992
Orders in process	C.5.	666	572
Prepaid expenses and other current assets	C.6.	1,140	861
Total current assets		**146,750**	**140,379**
Long-term assets			
Property, plant and equipment	C.7.1.	17,552	12,901
Intangible assets	C.7.2.	16,889	15,928
Goodwill	C.7.3.	24,336	23,667
Investments		71	70
Notes receivable/loans	C.7.4.	56	52
Other financial assets		1,683	1,229
Deferred taxes arising from temporary differences	C.8.	971	628
Deferred taxes arising from tax loss carryover	C.8.	158	8
Other assets		182	29
Total long-term assets		**61,898**	**54,512**
Total assets		**208,648**	**194,891**

EQUITY AND LIABILITIES

(in € 000)	Notes	Financial statements 31/12/2012	Financial statements 31/12/2011
Current liabilities			
Short-term debt and current portion of long-term debt	C.9.	900	2,324
Profit-participation capital and subordinated loans short-term portion	C.15.	412	6,824
Trade accounts payable		76,933	72,906
Advance payments received		3,649	1,872
Other current financial liabilities	C.10.	2,063	1,487
Accrued expenses	C.11.	1,726	1,555
Prepaid expenses and deferred charges		866	1,042
Income tax payable	C.12.	3,352	6,008
Other current liabilities	C.13.	16,746	13,666
Liabilities related to assets held for sale		0	2,080
Total current liabilities		**106,647**	**109,764**
Long-term liabilities			
Long-term debt, less current portion	C.14.	5,120	7,358
Profit-participation capital and subordinated loans	C.15.	5,592	6,797
Prepaid expenses and deferred charges	C.16.	4,188	4,538
Deferred taxes arising from temporary differences	C.17.	2,831	2,653
Pension provisions	C.18.	123	87
Other long-term financial liabilities	C.19.	1,333	1,081
Other long-term liabilites	C.11.	2,040	1,701
Total long-term liabilities		**21,227**	**24,215**
Equity			
Share capital	C.20.	11,430	10,391
Additional paid-in capital	C.20.	26,086	15,904
Net profit (incl. retained earnings)		43,087	34,735
Currency translation difference and exchange rate difference		-10	-291
Minority interest	C.21.	181	173
Total equity		**80,774**	**60,912**
Total equity and liabilities		**208,648**	**194,891**

CONSOLIDATED INCOME STATEMENT

(in € 000)	Notes	01/01/2012 - 31/12/2012	01/01/2011 - 31/12/2011
Revenues	E.1.	558,080	544,379
Other operating income	E.2.	647	678
Other capitalised services rendererd for own account	E.3.	2,513	900
Total operating income		**561,240**	**545,957**
Cost of purchased materials and services		-395,061	-386,626
Gross profit		**166,179**	**159,331**
Personnel expenses	E.4.	-112,363	-107,961
Depreciation on property, plant and equipment and amortisation of intangible assets		-7,404	-6,552
Other operating expenses	E.5.	-25,753	-26,366
Operating income		**20,659**	**18,452**
Interest and similar income	E.6.	359	302
Interest and other expenses		-2,131	-2,228
Income from equity investments		0	380
Foreign currency exchange gains		-8	-7
Profit before taxes (and minority interest)		**18,879**	**16,899**
Income tax expense	E.7.	-6,612	-4,871
After-tax profit/loss from continuing operations		**12,267**	**12,028**
Profit/loss from discontinued operations	E.8.	-683	-338
Net income for the period		**11,584**	**11,690**
thereof attributable to the shareholders of the parent		11,469	11,526
thereof attributable to minority interests	E.9.	115	164
Average number of shares outstanding (basic)		10,569,608	10,390,751
Average number of shares outstanding (diluted)		10,569,608	10,390,751
Earnings per share from continuing operations (non-diluted)		**1.15**	**1.14**
Earnings per share from continuing operations (diluted)		**1.15**	**1.14**
Earnings per share from discontinued operations (non-diluted)		**-0.06**	**-0.03**
Earnings per share from discontinued operations (diluted)		**-0.06**	**-0.03**

STATEMENT OF COMPEHENSIVE INCOME

(in € 000)	01/01/2012 - 31/12/2012	01/01/2011 - 31/12/2011
Net income for the period	**11,584**	**11,690**
Other income		
Reclassification of foreign exchange losses in consolidated income statement	281	0
Currency translation difference	-1	-2
Exchange rate difference	1	-222
Income taxes	0	67
Other after-tax income for the period	**281**	**-157**
Comprehensive income for the period	**11,865**	**11,533**
thereof attributable to the shareholder of the parent	11,750	11,369
thereof attributable to the minority interests	115	164

CONSOLIDATED CASH FLOW STATEMENT (IN ACCORDANCE WITH IAS 7)

(in € 000)	Notes	01/01/2012 - 31/12/2012	01/01/2011 - 31/12/2011
Cash flow from ordinary activities			
Profit for the year before tax and minority interest		18,879	16,899
Adjustments			
+/- Depreciation on property, pland and equipment and amortisation of intangible assets		7,404	6,552
+/- Changes in long-term provisions		-80	54
+/- Changes in short-term provisions		169	30
+/- Gains/losses on the sale of intangible assets, property, plant and equipment and financial assets		124	-352
+ Interest expenditure		1,772	1,926
+/- Changes in inventories		6,275	-6,255
+/- Changes in trade accounts receivable and other accounts receivable		-16,407	-5,201
+/- Changes in trade accounts payable and other accounts payable		8,367	15,274
+/- Interest payments and rebates		-224	-254
+/- Income tax payments and rebates		-10,064	-1,461
+/- Non-cash expenses and income		0	-110
+/- Cash inflow/outflow from discontinued operations		-101	-366
Net cash from operating activities		**16,114**	**26,736**
Cash flow from investing activities			
+/- Acquisition of subsidiaries and equity instruments of other companies		-646	-3,604
+/- Cash from acquisitions		532	0
- Payments for additions to intangible assets and property, pland and equipment		-12,514	-9,407
+ Income from disposal of intangible assets, property, plant and equipment and financial assets		47	4,452
- Cash transferred on the sale of financial assets		-403	-643
+ Interest received		359	302
+/- Cash inflow / outflow from discontinued operations		2,000	1,000
Net cash used in investing activities		**-10,625**	**-7,900**
Cash flow from financing activities			
+/- Proceeds from the issuance of share capital		11,430	0
+/- Capital increase expenses		-209	0
- Repayment of long-term financial liabilities (incl. short-term portions)		-11,826	-2,659
+/- Changes in short-term liabilities		46	0
- Interest paid		-1,434	-1,592
- Dividendes paid		-3,258	-1,634
+/- Cash inflow / outflow finance lease		-77	71
Net cash used in financing activities		**-5,328**	**-5,814**
Net change in cash and cash equivalents		**161**	**13,022**
+/- Changes in value resulting from foreign currency exchange		2	-19
+/- Cash as at beginning of period		44,475	31,472
Cash and cash equivalents as at end of period	F	**44,638**	**44,475**
Breakdown:			
Cash		44,638	44,365
Cash from discontinued operations	F	0	110
		44,638	44,475

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Shares	Share capital	Additional paid-in capital	Additional paid-in capital	Foreign currency translation reserve	Exchange rate difference 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	in €'000
31. Dezember 2010	**10,391**	**10,391**	**15,904**	**10,623**	**-289**	**155**	**-153**	**14,298**	**50,929**	**84**	**51,013**
Changes in reserves: Transfer net profit / retained earnings				6,465				-6,465	0		0
Payout in financial year								-1,559	-1,559	-75	-1,634
Comprehensive income for the period					-2	-155		11,526	11,369	164	11,533
31. December 2011	**10,391**	**10,391**	**15,904**	**17,088**	**-291**	**0**	**-153**	**17,800**	**60,739**	**173**	**60,912**
Capital increase *	1,039	1,039	10,391						11,430		11,430
Changes in reserves: Costs of capital increase			-209						-209		-209
Transfer net profit / retained earnings				8,118				-8,118	0		0
Payout in financial year								-3,117	-3,117	-141	-3,258
Comprehensive income for the period					280	1		11,469	11,750	115	11,865
Changes in the scope of consolidation				0					0	34	34
31. December 2012	**11,430**	**11,430**	**26,086**	**25,206**	**-11**	**1**	**-153**	**18,034**	**80,593**	**181**	**80,774**

* Issuing amount per share € 11

Segment informationen – IFRS

Segment informationen	e-commerce [1]		IT Solutions [1]	
	31/12/2012 €'000	31/12/2011 €'000	31/12/2012 €'000	31/12/2011 €'000
Sales revenues				
- External sales	158,627	188,392	399,453	355,987
- Intersegment sales	7,021	3,327	71,011	63,034
- Total sales revenues	165,648	191,719	470,464	419,021
- Cost of purchased materials and services	-137,908	-160,461	-312,856	-273,970
- Personnel expenses	-16,081	-16,230	-91,877	-87,500
- Other operative income and expenses	-2,666	-3,761	-40,242	-38,061
EBITDA	8,993	11,267	25,489	19,490
- calculated depreciation and amortisation	-959	-1,279	-6,262	-5,099
Operating income (EBIT) Betriebsergebnis (EBIT)	**8,034**	**9,988**	**19,227**	**14,391**
- Interest income	219	186	30	73
- Interest expenditure	-552	-636	-750	-636
- Income from investments				
Result from ordinary activities	7,701	9,538	18,507	13,828
- Foreign currency exchange gains / losses				
Pre-tax profit	7,701	9,538	18,507	13,828
- Income taxes				
- discontinued operations	-683	-1,335	0	0
Consolidated income for the year				
thereof attributable to the shareholders of the parent				
thereof attributable to minority interests				
Other information				
- Assets [2]	76,901	118,612	120,136	55,218
- Investments [2]	3,989	3,122	9,689	6,153

1) In comparison with the previous year parts of the segment e-commerce were reclassified to segment It solutions.

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

3) Tax assets

Totals		Other companies		Reconciliation		Consolidated	
31/12/2012 €'000	**31/12/2011 €'000**	**31/12/2012 €'000**	**31/12/2011 €'000**	**31/12/2012 €'000**	**31/12/2011 €'000**	**31/12/2012 €'000**	**31/12/2011 €'000**
558,080	544,379	0	0				
78,032	66,361	0	0	-78,032	-66,361		
636,112	610,740	0	0	-78,032	-66,361	558,080	544,379
-450,764	-434,431	0	0	55,703	47,805	-395,061	-386,626
-107,958	-103,730	-4,405	-4,231	0	0	-112,363	-107,961
-42,908	-41,822	-2,014	-1,522	22,329	18,556	-22,593	-24,788
34,482	30,757	-6,419	-5,753	0	0	28,063	25,004
-7,221	-6,378	-183	-174	0	0	-7,404	-6,552
27,261	**24,379**	**-6,602**	**-5,927**	**0**	**0**	**20,659**	**18,452**
249	259	683	631	-573	-588	359	302
-1,302	-1,272	-1,402	-1,544	573	588	-2,131	-2,228
				0	380	0	380
26,208	23,366	-7,321	-6,840	0	380	18,887	16,906
				-8	-7	-8	-7
26,208	23,366	-7,321	-6,840	-8	373	18,879	16,899
				-6,612	-4,871	-6,612	-4,871
-683	-1,335	0	997	0	0	-683	-338
						11,584	**11,690**
						11,469	11,526
						115	164
				Reconciliation [3]			
197,037	173,830	10,089	20,340	1,522	721	208,648	194,891
13,678	9,275	249	1,265			13,927	10,540

Schedule of fixed assets

	ACQUISITION OR MANUFACTURING COSTS					
	At 01/01/2012 €'000	**Additions from first-time consolidation 2012 €'000**	**Additions 2012 €'000**	**Disposals 2012 €'000**	**Transfers 2012 €'000**	**At 31/12/2012 €'000**
Property, plant and equipment	22,233	105	8,819	1,049	-5	30,103
Intangible assets						
Software and others	7,644	108	3,695	62	0	11,385
Customer bases	13,570	526	0	1,420	0	12,676
Goodwill	42,952	669	0	0	0	43,621
Investments	80	0	1	0	0	81
Notes receivable/loans	52	0	4	0	0	56
Total	**86,531**	**1,408**	**12,519**	**2,531**	**-5**	**97,922**

Financial year 2011

	ACQUISITION OR MANUFACTURING COSTS					
	At 01/01/2011 €'000	**Additions from first-time consolidation 2011 €'000**	**Additions 2011 €'000**	**Disposals 2011 €'000**	**Transfers 2011 €'000**	**At 31/12/2011 €'000**
Property, plant and equipment	18,471	0	6,672	2,415	-495	22,233
Intangible assets						
Software and others	5,631	0	2,801	788	0	7,644
Customer bases	16,978	0	0	3,408	0	13,570
Goodwill	42,967	0	0	15	0	42,952
Investments	3,221	0	1,058	4,199	0	80
Notes receivable/loans	43	0	9	0	0	52
Total	**87,311**	**0**	**10,540**	**10,825**	**-495**	**86,531**

DEPRECIATION AND AMORTISATION						EARNING AMOUNTS	
At 01/01/2012	Additions from first-time consolidation 2012	Additions 2012	Transfers 2012	Disposals 2012	At 31/12/2012	At 31/12/2012	At 31/12/2011
€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
9,332	58	4,040	0	879	12,551	17,552	12,901
2,306	4	1,947	0	62	4,195	7,190	5,338
2,980	0	1,417	0	1,420	2,977	9,699	10,590
19,285	0	0	0	0	19,285	24,336	23,667
10	0	0	0	0	10	71	70
0	0	0	0	0	0	56	52
33,913	**62**	**7,404**	**0**	**2,361**	**39,018**	**58,904**	**52,618**

DEPRECIATION AND AMORTISATION						EARNING AMOUNTS	
At 01/01/2011	Additions from first-time consolidation 2011	Additions 2011	Transfers 2011	Disposals 2011	At 31/12/2011	At 31/12/2011	At 31/12/2010
€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
8,794	0	3,093	-337	2,218	9,332	12,901	9,677
1,814	0	1,136	0	644	2,306	5,338	3,817
1,935	0	2,582	0	1,537	2,980	10,590	15,043
19,285	0	0	0	0	19,285	23,667	23,682
10	0	0	0	0	10	70	3,211
0	0	0	0	0	0	52	43
31,838	**0**	**6,811**	**-337**	**4,399**	**33,913**	**52,618**	**55,473**

Notes to the consolidated financial statements for the financial year from 1 January to 31 December 2012

A. The principles adopted for the consolidated financial statements

1. General information

The consolidated financial statements of CANCOM SE (formerly CANCOM AG) and its subsidiaries ('the CANCOM group' or 'the group') for the financial year 2012 were drawn up according to the International Financial Reporting Standards or the International Accounting Standards (IFRS/IAS).

A resolution was passed at the general meeting of shareholders on 18 December 2012 to convert CANCOM AG into a European public limited company, as CANCOM SE.
The conversion was recorded in the commercial register on 28 February 2013.

The corporate objective of CANCOM SE and its consolidated subsidiaries is IT architecture design, system integration and the provision of a range of managed services. As a provider of integrated solutions, CANCOM's main focus is on IT services, in addition to the distribution of hardware and software. Its IT services range includes the design of IT architectures and IT landscapes, design and integration of IT systems, and systems operation.

The consolidated financial statements were drawn up in euro. All amounts are shown in thousand euro (€ thousand) unless otherwise stated. Rounding of figures may result in apparent inconsistencies between totals and sums of constituent parts. For the same reason, percentages may not total 100 percent.

The financial year covers the period from 1 January to 31 December 2012. The address of the company's registered office is Erika-Mann-Strasse 69, 80636 München, 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 IFRS and IAS that are mandatory for the 2012 financial year were fully complied with, as were the interpretations of the International Financial Reporting Interpretation Committee (IFRIC) or Standing Interpretations Committee (SIC). The provisions of Section 315a, paragraph 1 of the German Commercial Code (Handelsgesetzbuch, HGB), which still apply, were also taken into consideration.

The consolidated statement of income 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 recently adopted the following standards, interpretations and amendments, which are not yet compulsory for the financial year 2012. The management did not apply these new principles ahead of schedule. The company is currently investigating the impact that these changes will have on the consolidated financial statements.

IFRIC interpretations

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

IFRIC 20 – Stripping Costs in the Production Phase of a Surface Mine. The Interpretation is effective for annual periods starting on or after 1 January 2013.

IFRS and IAS Standards

In November 2009 and October 2010, the IASB published amendments to IFRS 9 Financial Instruments (Classification and Measurement, Accounting for Financial Liabilities, and Derecognition). The standard is effective for annual periods starting on or after 1 January 2015.

In May 2011, the IASB published IFRS 10 Financial Statements. The standard replaces the provisions on consolidated financial statements set out in IAS 27 Consolidated and Separate Financial Statements and SIC 12 Consolidation – Special Purpose Entities. The standard is effective for annual periods starting on or after 1 January 2013.

In May 2011, the IASB published IFRS 11 Joint Arrangements. The standard replaces IAS 31 Interests in Joint Ventures and SIC 13 Jointly Controlled Entities – Non-Monetary Contributions by Venturers. It is effective for annual periods starting on or after 1 January 2013.

In May 2011, the IASB published IFRS 12 Disclosures of Interests in Other Entities. The standard replaces disclosure requirements from IAS 27 Consolidated and Separate Financial Statements, IAS 28 Investments in Associates and IAS 31 Interests in Joint Ventures. It is effective for annual periods starting on or after 1 January 2013.

In May 2011, the IASB published amendments to IAS 27 Separate Financial Statements. The consolidation requirements previously contained in IAS 27 (2008) were revised and now form part of IFRS 10 Consolidated Financial Statements. The standard is effective for annual periods starting on or after 1 January 2013.

In May 2011, the IASB published amendments to IAS 28 Investments in Associates and Joint Ventures. This version supersedes the previous version of IAS 28 published in 2008. The standard is effective for annual periods starting on or after 1 January 2013.

In May 2011, the IASB published IAS 13 Fair Value Measurement. The standard is effective for annual periods starting on or after 1 January 2013.

In June 2011, the IASB published amendments to IAS 1 Presentation of Financial Statements relating to the presentation of other comprehensive income. The standard is effective for annual periods starting on or after 1 July 2012.

In June 2011,the IASB published amendments to IAS 19 Employee Benefits as a result of projects to improve the accounting requirements for employee benefits and termination benefits. The standard is effective for annual periods starting on or after 1 January 2013.

In December 2011, the IASB published amendments to IFRS 7 Financial Instruments to improve the disclosures in relation to the offsetting of financial assets and financial liabilities. The amendments are effective for annual periods starting on or after 1 January 2013.

In December 2011, the IASB published further amendments to IFRS 7 Financial Instruments on the requirement for disclosures on transition to IFRS 9. These amendments are effective for annual periods starting on or after 1 January 2015.

In December 2011, the IASB published amendments to IAS 32 Financial Instruments to improve the disclosures in relation to the offsetting of financial assets and financial liabilities. The standard is effective for annual periods starting on or after 1 January 2014.

In March 2012, the IASB published an amendment to IFRS 1 First-Time Adoption of International Financial Reporting Standards in relation to government loans at below-market interest rates. The amendment is effective for annual periods starting on or after 1 January 2013.

In May 2012, the IASB published amendments to various IFRS standards under its annual improvements project for the 2009-2011 cycle. The amendments are effective for annual periods starting on or after 1 January 2013.

In June 2012, the IASB published various amendments to clarify the transition guidance in IFRS 10. The amendments are effective for annual periods starting on or after 1 January 2013.

IFRS 10 Consolidated Financial Statements
IFRS 11 Joint Arrangements
IFRS 12 Disclosure of Interests in Other Entities

In October 2012 the IASB published various amendments in relation to consolidation requirements for investment entities. The amendments are effective for annual periods starting on or after 1 January 2014.

IFRS 10 Consolidated Financial Statements
IFRS 12 Disclosure of Interests in Other Entities
IAS 27 Separate Financial Statements (as amended in 2011).

3. Reporting entity

The consolidated financial statements include CANCOM AG and all subsidiaries in which CANCOM AG 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 SE has sold its interest in CANCOM Ltd with effect from 16 March 2012. The sale is documented in a contract of sale dated 16 March 2012.

The purchase price was GBP 1.

The impact of the disposal of CANCOM Ltd on the reporting entity is as shown below:

(€'000)	Balance as at 16 March 2012
Assets held for sale	-2,189
Total current assets	**-2,189**
Total assets	**-2,189**
Liabilities associated with held-for-sale assets	-1,602
Total current liabilities	**-1,602**
Total liabilities	**-1,602**
Net assets disposed of	**-587**

CANCOM SE has acquired 49 percent of the shares in Glanzkinder GmbH (formerly Glanzkinder Verwaltungs GmbH) for the nominal sum of € 13 thousand. The acquisition is documented in a share purchase and transfer agreement dated 22 May 2012. CANCOM SE also acquired an option to purchase a further 2 percent of the shares, which can be exercised at any time.

The purchase price was € 319 thousand, and comprises a fixed purchase price of € 288 thousand and a variable purchase price expected to be € 31 thousand. The variable purchase price is equal to the fair value of a contractually agreed distribution of future profits to the seller, regardless of the proportionate equity interests held. Incidental acquisition costs of € 10 thousand were incurred; these are shown in the statement of income under other operating expenses.

The potential for control is based on the shares acquired and the further 2 percent potential voting rights. The company was included in the consolidated financial statements with effect from 1 July 2012.

The commercial object of the company is to develop and distribute software, especially apps for mobile devices; it also specialises in software for process optimisation, B2B and B2C.

Change in the reporting entity in 2012:

Name and registered office of company	Date from which included in the consolidated financial statements	Equity investment (in percent)	Voting rights (in percent)
Glanzkinder GmbH, Cologne, Germany	1 July 2012	49	49

The table below shows the impact on the consolidated financial statements of the change in the reporting entity as at 1 July 2012, the date from which Glanzkinder GmbH was included in the consolidated financial statements:

	Fair value €'000	Carrying amount €'000
Trade accounts receivable	118	118
Other current financial assets	51	51
Current assets	**169**	**169**
Property, plant and equipment	24	24
Intangible assets	98	8
Other financial assets	1	1
Deferred taxes arising from tax loss carryover	7	7
Non-current assets	**130**	**40**
Total assets	**299**	**209**
Short-term loans and current component of long-term loans	28	28
Trade accounts payable	23	23
Other current financial liabilities	7	7
Income tax liabilities	32	32
Other current liabilities	112	112
Current liabilities	**202**	**202**
Deferred taxes from temporary differences	29	0
Non-current liabilities	**29**	**0**
Total liabilities	**231**	**202**
Acquired assets	**68**	**7**

The acquisition of the company resulted in goodwill of € 286 thousand. The main reason for the acquisition itself, and for recognising goodwill, is that Glanzkinder GmbH is one of the German market leaders in app programming, and this extends the CANCOM group's product range.

The non-controlling interests in Glanzkinder GmbH were recognised at the pro-rata fair value of the assets and liabilities, which amounts to € 35 thousand.

The sales revenues of Glanzkinder GmbH included in the consolidated sales revenues since the time of acquisition amount to € 649 thousand, and the profit included in the consolidated profit is € 58 thousand.

CANCOM SE (formerly CANCOM AG) has bought all the shares in software distributor Unicorner GmbH, for the nominal sum of € 26 thousand. The acquisition is documented in a share purchase and transfer agreement dated 18 September 2012. The company has been trading as CANCOM Unicorner GmbH since 18 September 2012.

The purchase price of € 1,005 thousand consists of a fixed portion of € 100 thousand, a variable portion equal to the value of the company's equity capital at 30 September 2012 (€ 257 thousand) and a further variable portion (an earn-out) of € 648 thousand. The second variable portion of the purchase price is equal to the fair value of three payments amounting to a maximum of € 233 thousand per annum, depending on the net income for the periods October 2012 to September 2013, October 2013 to September 2014 and October 2014 to September 2015. Incidental acquisition costs of € 12 thousand were incurred and are shown in the statement of income under other operating expenses.

CANCOM Unicorner GmbH was included in the consolidated financial statements with effect from 1 October 2012.

The commercial object of the company is the planning, development, distribution, assembly, customisation, installation, commissioning, repair and maintenance of hardware and software products, systems and networks, including replacement parts, peripheral systems and accessories for information technology, telecommunications and related technologies.

Change in the reporting entity in 2012:

Name and registered office of company	Date from which included in the consolidated financial statements	Equity investment (in percent)	Voting rights (in percent)
CANCOM Unicorner GmbH, Jettingen-Scheppach, Germany	1 October 2012	100	100

The table below shows the impact on the consolidated financial statements of the change in the reporting entity as at 1 October 2012, the date from which CANCOM Unicorner GmbH was included in the consolidated financial statements:

	Fair value €‘000	Carrying amount €‘000
Cash and cash equivalents	532	532
Trade accounts receivable	226	226
Inventories	27	27
Prepaid expenses and other current assets	11	11
Current assets	**796**	**796**
Property, plant and equipment	23	23
Intangible assets	532	6
Other financial assets	11	11
Non-current assets	**566**	**40**
Total assets	**1,362**	**836**
Trade accounts payable	431	431
Accrued expenses	2	2
Income tax liabilities	58	58
Other current liabilities	88	88
Current liabilities	**579**	**579**
Deferred taxes from temporary differences	161	0
Non-current liabilities	**161**	**0**
Total liabilities	**740**	**579**
Net assets acquired	**622**	**257**

The acquisition of the company resulted in goodwill of € 383 thousand. The main reasons for the acquisition itself, and for recognising goodwill, are the special expertise of CANCOM Unicorner GmbH as well as the potential for synergy and for sharing customer lists.

The sales revenues of CANCOM Unicorner GmbH included in the consolidated financial statements since the time of acquisition amount to € 617 thousand, and the profit included in the consolidated financial statements amounts to € 71 thousand.

If the acquisition date for all company mergers were 1 January 2012, the sales revenues of the combined undertakings would amount to € 561,810 thousand and the net income to € 11,709 thousand.

The consolidated financial statements for CANCOM SE for the year ended 31 December 2012 include the German and non-German subsidiaries shown in the statement of shareholdings under G.13, 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 that 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 single-entity 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 SE.

Principles of consolidation

The consolidated financial statements are based on the single-entity financial statements of the companies consolidated in the financial statements of CANCOM SE.

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 single-entity financial statements of the 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 excess of the acquisition cost over the group's share in the fair value of the net assets is 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 scheduled 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.

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.

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 an 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, 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 that are subject to these uncertainties can be found in the balance sheet and/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 2012 are currently expected.

Currency conversion principles

Foreign currency business transactions in the single-entity 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 statement of income. Conversion of the financial statements of international subsidiaries is carried out according to the concept of functional currency. Within the CANCOM group, all international subsidiaries are financially independent, and therefore the relevant national currency of the subsidiary is the functional currency. The assets, liabilities and equity capital are accordingly converted at the rate of exchange applicable on the reporting date, while 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 statement of income are recognised directly in equity and shown separately under other comprehensive income.

Currency	2012	2011	2010
Swiss francs			
Rate on reporting date	€ 1 = CHF 1.207	€ 1 = CHF 1.216	€ 1 = CHF 1.252
Average rate	€ 1 = CHF 1.205	€ 1 = CHF 1.233	€ 1 = CHF 1.380
Pounds sterling			
Rate on reporting date	€ 1 = GBP 0.831	* € 1 = GBP 0.837	€ 1 = GBP 0.862
Average rate	€ 1 = GBP 0.835	€ 1 = GBP 0.868	€ 1 = GBP 0.858

*Deconsolidation on 16 March 2012

The currency translation differences recorded in the results amount to € 8 thousand in expenses. The currency translation differences shown as a separate item under equity capital amount to a loss of € 1 thousand (2011: loss of € 2 thousand). Currency losses of € 281 thousand were reclassified to the statement of income for the reporting period. As at 31 December 2012, the reserve for currency translation amounts to minus € 11 thousand (2011: minus € 291 thousand).

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 revenues 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 (POC) method in accordance with IAS 18 and 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 of the costs incurred that are likely to be recoverable. An explanation of the sales revenues calculated using the POC method can be found in section E.1.

Payments on an operating lease are recorded as expenses in the statement of income 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.

The rental agreement concluded for the premises in Jettingen-Scheppach, Germany represents a major lease agreement. The lease term ends in 2021, and there is no purchase or extension option. Another major leasing agreement is the rental agreement for Erika Mann Strasse 69, München, Germany. The lease term ends in 2022. There is no purchase option, but there is an option to extend the lease.

In finance leases where the company is the lessor, the total minimum lease payments amount to € 2,822 thousand, less the interest income not yet fully realised of € 218 thousand, resulting in a total present value of € 2,604 thousand.

In finance leases where the company is the lessee, the total minimum lease payments amount to € 537 thousand, less the total interest income not yet fully realised of € 47 thousand, resulting in a total present value of € 490 thousand.

There are generally no options to extend or purchase with the above lease agreements. Apart from the sale and lease-back agreement on the company's premises in Jettingen-Scheppach, Germany, and the lease contract for Erika Mann Strasse 69, München, Germany, 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 applicable interest rate. 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.

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 leasing payments**	**Present value of the minimum lease payments**	**Financial income not yet realised**	**Total 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
Operating lease	28	0	24	0	0	0	2	52
Finance lease	1,008	910	1,813	1,694	0	0	218	2,822

Leases in which the company is lessee	**Net carrying amount as at 31 Dec. 2012**	**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 2012***
		< 1 year	< 1 year	>1<5 years	>1<5 years	> 5 years	> 5 years		
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
Operating lease	0	5,502	0	14,164	0	10,352	0	0	6,206
Finance lease	490	134	114	402	376	0	0	537	0

*minimum lease payments only

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 interests by the weighted average number of ordinary shares outstanding in the financial year. For details of how the earnings per share are calculated, please see the statement of income.

Current assets

Inventories are valued at the lower of acquisition/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 incurred in bringing the inventories to their current location and condition. Acquisition or manufacturing costs are calculated according to the weighted average method and measured item-by-item according to the lower of cost or market principle. The net realisable value is the estimated selling price less all estimated costs up to completion and the cost of marketing, sales and distribution. Items with reduced marketability are valued at the lower net realisable value.

Where necessary, write-downs are made for excess inventory, obsolescence and reduced marketability.

Any borrowed capital costs associated with manufacturing are capitalised.

Orders in progress are valued by the percentage of completion method, in which revenue and costs are recognised in proportion to the stage of completion of contract activity, in accordance with IAS 18 and 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, less specific allowances for bad debts.

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 maximum three months.

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

Property, plant and equipment

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. They are valued on the basis of the following useful lives:

Fixtures, fittings and equipment	3-13 years

Acquisition and manufacturing costs include expenditure directly attributable to acquisition. Subsequent acquisition and manufacturing costs are only recorded as a part of the acquisition and 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 relevant 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 cannot 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 over a useful life of 3 to 12 years). Brand rights and goodwill from acquisitions are not amortised. Instead, they are 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, 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 interests in the fair values of assets and liabilities not acquired are shown as non-controlling interests.

The excess of the acquisition 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. The recoverable amount is the higher of fair value less costs to sell and the unit's value in use.

Financial assets

The financial assets are securities, equity interests and other loans. Financial assets are recognised and derecognised at the date of the transaction. Financial assets are initially recognised at acquisition cost.

Financial assets are divided into the following categories:
- financial assets recognised at fair value in the statement of income,
- held-to-maturity investments,
- available-for-sale financial assets,
- loans and receivables.

Financial assets are categorised at the time of addition according to their type and intended use.

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

Equity interests are assigned to the category of available-for-sale financial assets. If no market values can be calculated reliably they are valued at their 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 making an 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 the 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 statement of income. These accumulated gains or losses, which have not yet been recognised in the statement of income, 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'.)

The total of the expenses recorded in the statement of income for each of the following components is shown under personnel expenses:

- Current service costs for the financial year
- Actuarial gain
- Interest costs
- Expected return on plan assets

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 short-term loans 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 in line with IAS 39 und IFRS 7	Carrying amount 31 Dec. 2012	Fair Value 31 Dec. 2012	Carrying amount 31 Dec. 2011“	Fair Value 31 Dec. 2011
Assets					
Cash and cash equivalents	LaR	44,638	44,638	44,365	44,365
Long-term investments	AfS	71	71	70	70
Trade accounts receivable	LaR	88,285	88,285	72,212	72,212
Other financial assets	LaR	4,960	4,960	6,526	6,526
Other assets	LaR	758	758	387	387
Liabilities					
Short-term loans and current component of long-term loans	FLAC	900	900	2,324	2,324
Capital from profit participation rights and subordinated loans (short-term portion)	FLAC	412	412	6,824	6,824
Trade accounts payable	FLAC	76,933	76,933	72,906	72,906
Long-term loans	FLAC	5,120	5,120	7,358	7,358
Capital from profit participation rights and subordinated loans	FLAC	5,592	5,592	6,797	6,797
Other financial liabilities	FLAC	3,396	3,396	2,568	2,568
Other liabilities	FLAC	18,786	18,786	15,367	15,367
of which aggregated according to categories in line with IAS 39:					
Loans and Receivables (LaR)		138,641	138,641	123,490	123,490
Held-to-Maturity Investments (HtM)		0	0	0	0
Available-for-Sale Financial Assets (AfS)		71	71	70	70
Financial Assets Held for Trading (FAHfT)		0	0	0	0
Financial Liabilities Measured at Amortised Cost (FLAC)		111,139	111,139	114,144	114,144
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.

Financial assets classified as available for sale are not payable at term, are not held for commercial purposes and are available for sale at any time.

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

The fair values of loans, capital from profit participation rights and subordinated loans, as well as 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.

Net gains or net losses from financial assets and liabilities as described by IFRS 7.20 are recognised under other comprehensive income in the statement of comprehensive income. Hedging instruments as defined by IFRS 7.22-23 were not used as at 31 December 2012.

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 special appointee.

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's exposure to liquidity risks is limited 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.

CANCOM has maintained a sufficient level of net liquidity through retention of profits and the increase in the share capital. In addition, short-term liquidity is guaranteed at all times by credit facilities. Long-term liquidity is safeguarded through long-term bank loans and ample equity. Loans have been significantly reduced and at the balance sheet date they are almost all long-term.

Early refinancing of financial liabilities minimises the liquidity risk. The table below was derived from the balance sheet and the contractual bases in addition to other lease contract records, and shows the maturities:

	2013 €'000	2014 €'000	2015-2017 €'000	2018 and thereafter €'000
Trade accounts payable	76,933	0	0	0
Liabilities to banks	900	737	2,302	2,081
Capital from profit participation rights and subordinated loans	412	0	2,177	3,415
Other financial liabilities	1,948	398	560	0
Financial leases	115	375	0	0
Other financial liabilities	5,502	4,855	9,309	10,352
Interest expense	596	559	1,233	417

The interest actually payable on loans in 2013 amounts to € 596 thousand. On the basis of the effective interest method to be applied in accordance with IFRS, the interest expense shown in the accounts for the financial year 2013 is € 1,044 thousand.

The group has access to credit facilities totalling € 9,965 thousand. The full amount not yet utilised as at the balance sheet date is € 8,134 thousand. There were no delays in the payment of interest or capital on loans during the financial year 2012.

Currency risk

As CANCOM concentrates its activities in the euro area, the group's exposure to currency risk is low. The units whose accounts are kept in other currencies account for less than 1 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 € 100 thousand there is an approval system where hedging decisions are taken on an individual basis.

At 31 December 2012, the carrying amount of the group's monetary assets and liabilities in foreign currencies is as follows:

in '000	31 Dec. 2012	31 Dec. 2011
Assets in GBP	0	1,741
Liabilities in GBP	0	1,301
	0	**440**

Interest risk

Due to the mainly 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 continually observing 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 shown. 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.

Interest risk

All interest risks that the group is exposed to depend on its profits. They only arise when the company makes a profit.

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 0.5 percent per annum as earnings-related remuneration. The additional interest payments are € 15 thousand per annum (€ 10 thousand from 2013). As the loan runs until December 2015, the maximum overall risk is € 30 thousand.

Financial market risk

CANCOM SE's risk manual was reviewed in 2012 to take into account any risks arising from the financial market crisis.

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 SE did not hold any structured products. The financial market risk is limited to the price risk of the securities held by the company at the balance sheet date.

Only the Executive Board Executive Vice President are authorised to purchase or sell structured products from or to banks, and the cross-checking principle must be followed. This is intended to avert the possibility of any inexperienced person carrying out transactions of this kind.

C. Notes to the consolidated balance sheet

1. Cash and cash equivalents

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

2. Trade accounts receivable

The trade accounts receivable are as follows:

	31 Dec. 2012 €'000	31 Dec. 2011 €'000
Accounts receivable before write-downs	88,458	72,347
Write-downs	173	135
Carrying amount of accounts receivable	**88,285**	**72,212**

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

Group receivables are written down on the basis of their age structures, the likely necessity of legal proceedings, or the most positive outcome to be expected regarding defaults.

Generally, all group receivables that are more than two years old are written off in full. No receivables were more than two years old at the reporting date.

Individual receivables are automatically written down after 120 days. An age analysis of receivables that are overdue but not impaired shows that those between one and two years old were written down by more than 50 percent. At the reporting date, the value of these receivables was less than 0.5 percent of total receivables. Before taking on a new customer the group uses a system of internal and 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 at least 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. Accounts receivable from Atos IT Solutions and Services GmbH are accumulating owing to the transaction volume and the payment terms agreed with this customer. A system of regular checking of credit volumes and creditworthiness is in place. The volume of outstanding items as at 31 December 2012 was around € 10.5 million. Also, 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 € 21 thousand (2011: € 7 thousand) 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, which total € 20,551 thousand (2011: € 19,059 thousand) and 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 statement of income under other operating expenses, while reversals are shown under other operating income.

The trade accounts receivable are due within a year.

3. Other current financial assets

This item includes bonuses due from suppliers (€ 1,511 thousand; 2011: € 1,755 thousand), claims to the payment of a purchase price (€ 922 thousand; 2011: € 2,975 thousand), marketing revenue (€ 421 thousand; 2011: € 288 thousand), creditors with a debit balance (€ 266 thousand; 2011: € 106 thousand), receivables from employees (€ 115 thousand; 2011: € 173 thousand) and receivables from existing shareholders (€ 42 thousand; 2011: € 0).

4. Inventories

Inventories consist almost exclusively of merchandise, particularly hardware components and software.

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

	31 Dec. 2012 €'000	31 Dec. 2011 €'000
Finished products and goods	8,722	14,987
Advance payments	22	5
	8,744	**14,992**

The cost of goods, raw materials and supplies in the financial year 2012 was € 366,908 thousand.

Inventories were written down by € 610 thousand (2011: € 229 thousand) owing to excess inventory, obsolescence, reduced marketability or follow-up costs for finished products.

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

No inventories were pledged as security.

5. Orders in process

The orders in process are orders calculated according to the percentage of completion method. They amount to € 769 thousand (2011: € 584 thousand) less advance payments of € 103 thousand (2010: € 12 thousand). The costs accumulated for current projects as at the balance sheet date amounted to € 535 thousand. Gains resulting from current projects as at the balance sheet date totalled € 234 thousand.

6. Prepaid expenses, deferred charges and other current assets

This item mainly consists of other current assets such as tax refunds (€ 446 thousand; 2011: € 168 thousand), compensation for damages (€ 156 thousand; 2011: € 112 thousand), rent receivable (€ 56 thousand; 2011: € 31 thousand), commission income (€ 45 thousand; 2011: € 0) and receivables from social insurance institutions (€ 10 thousand; 2011: € 14 thousand).

The prepaid expenses and deferred charges (€ 414 thousand; 2011: € 503 thousand) include deferred insurance premiums and expenses paid in advance.

7. Non-current assets

Changes in, and the composition of, non-current assets in 2012 are shown in the consolidated statement of changes in non-current assets (see pages 50-51).

7.1 Property, plant and equipment

Property, plant and equipment mainly consists of features, fittings and equipment, in particular motor vehicles (€ 10,108 thousand), data centres (€ 1,276 thousand), assets held for rental (€ 825 thousand), unified communications and collaboration (UCC) system (€ 589 thousand) and equipment for the logistics centre (€ 525 thousand). Computer equipment, tenant's fittings, and office furnishings and equipment are also shown under this item.
Motor vehicles valued at € 2,001 thousand were pledged as security for the loans from Stadtsparkasse Augsburg.

7.2 Intangible assets

The intangible assets include purchased software (€ 6,068 thousand; 2011: € 3,776 thousand), capitalised development costs (€ 1,122 thousand; 2011: € 1,563 thousand), customer lists (€ 9,695 thousand; 2011: € 10,295 thousand) and orders in hand (€ 4 thousand; 2011: € 6 thousand). In 2011 the figure also included brand rights amounting to € 288 thousand, which have been fully written down because it is no longer intended to use them.

The customer lists and the orders in hand originate from acquisitions made in 2011 and in previous years, and are written down over their expected useful lives.

7.3 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 (€ 11,426 thousand; 2011: € 11,426 thousand), CANCOM IT Solutions GmbH (€ 7,942 thousand; 2011: € 7,942 thousand), CANCOM NSG GmbH (€ 2,522 thousand; 2011: € 2,522 thousand) and CANCOM a+d IT solutions GmbH (€ 1,717 thousand; 2011: € 1,717 thousand). There was an increase in goodwill (€ 729 thousand; 2011: € 60 thousand), mainly as a result of the acquisitions of Glanzkinder GmbH and CANCOM Unicorner GmbH during 2012.

The group checks these figures once a year by testing for impairments in accordance with IAS 36. The recoverable amount is calculated on the basis of the value in use.

The value in use is calculated using valuation methods based on discounted cash flows.

These discounted cash flows are based on five-year forecasts which are drawn up in accordance with finance plans approved by the management. The cash flow forecasts take into consideration the experiences of the past and are based on the management's best estimate of future developments. The cash flow forecasts are prepared on the basis of sales forecasts of the individual companies. The sales growth forecasts for the larger companies in the group in 2013 vary between 0.4 percent (CANCOM Deutschland GmbH) and 20.3 percent (CANCOM a+d IT solutions GmbH). The forecasting process differentiates between projected sales revenues in the hardware and services business, and to a certain degree it takes into account non-recurring items in the financial year 2013. For the years 2014 to 2017, it is assumed that the trend in sales revenues will range between a decline of 8.7 percent and growth of 3.0 percent. Parts of the CANCOM group are therefore expected to experience disproportionately high growth compared with the rest of the IT sector and the market, with hardware and software increasing by 1.2 percent and 5.1 percent respectively, and IT services by 3.0 percent (figures from BITKOM, the German Association for Information Technology, Telecommunications and New Media, for the German IT market in 2013).

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:

	2012	2011
Risk-free interest	2.25%	3.25%
Market risk premium	6.00%	5.00%
Beta coefficient	1.25	1.3
Capitalisation rate (weighted average cost of capital - WACC):	8.85%	8.11%
Input tax (WACC):	12.65%	11.59%

The impairment tests did not result in any write-downs.

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.

In the estimation of the management, it is unlikely that any change in the basic assumptions on which the calculation of the recoverable amount is based would lead to the carrying amount of the cash-generating units exceeding its recoverable amount.

7.4 Loans

The loans consist of the asset value from reinsurance, amounting to € 56 thousand.

8. Deferred tax assets

The deferred tax assets are as follows:

Deferred tax resulting from	Temporary differences €'000	Tax loss carryforwards €'000
As at 1 January 2012	628	8
Addition from recognition of assets directly in equity owing to first-time inclusion in consolidated financial statements	0	7
Tax revenue from profit and loss calculation	343	143
As at 31 December 2012	**971**	**158**

As at 31 December 2012 the CANCOM group had corporate tax loss carryovers of € 6.4 million (2011: € 9.5 million) and trade tax loss carryovers of € 5.5 million (2011: € 8.1 million). The unused corporation tax losses for which no deferred tax claim was recognised in the balance sheet amounted to € 5.8 million (2011: € 9.4 million), and the trade tax loss carryovers for which no deferred tax claim was recognised amounted to € 5.3 million (2011: € 8.1 million). The amounts referred to include a component of € 5.8 thousand (corporation tax) and € 5.3 thousand (trade tax), which has been called into question because of the EU Commission's legal interpretation of the restructuring clause in Section 8 c of the German Corporate Tax Act (Körperschaftsteuergesetz, KStG), and therefore cannot at present be claimed as tax exempt.

The deferred taxes from temporary differences are mainly the result of differences in property, plant and equipment (€ 381 thousand), other liabilities (€ 144 thousand), intangible assets (€ 140 thousand), other provisions (€ 130 thousand), goodwill (€ 93 thousand) and elimination of sales within the group (€ 67 thousand).

9. 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 the long-term loans that are due for repayment within one year.

10. Other current financial liabilities

This item includes debtors with a credit balance (€ 1,030 thousand; 2011: € 795 thousand), outstanding bills of charges (€ 672 thousand; 2011: € 533 thousand), Supervisory Board remuneration (€ 200 thousand; 2011: € 35 thousand), purchase price liabilities (€ 115 thousand; 2011: € 124 thousand) and rent obligations (€ 46 thousand; 2011: € 0).

11. Other provisions

The changes in other provisions during 2012 are detailed below:

The total provisions include long-term provisions of € 2,040 thousand (2011: € 1,701 thousand), which are disclosed under other non-current liabilities. These provisions are for guarantees and warranties (€ 640 thousand; 2011: € 777 thousand), the termination payments legally mandatory in Austria (€ 523 thousand; 2011: € 476 thousand), the purchase price for the shares in Glanzkinder GmbH and CANCOM Unicorner GmbH (€ 455 thousand; 2011: € 0), anniversaries (€ 240 thousand; 2011: € 205 thousand), part-time work for older employees (€ 97 thousand; 2011: € 118 thousand) and additional, and incidental leasing costs (€ 85 thousand; 2011: € 113 thousand). In 2011 there was also a long-term provision of € 12 thousand for contingent risks. The allocation of these provisions to long-term liabilities is based on their expected due dates, as shown below.

	Expected due date
Purchase price for shares in Glanzkinder GmbH	31 March 2014
Purchase price for shares in CANCOM Unicorner GmbH	1 to 3 years
Provisions for guarantees and warranties	Warranty by law or contract
Provisions for severance and termination payments	Date of termination of the employment of employees
Provisions for anniversary payments	Together with salary payments
Provisions for part-time work for older employees	3 years
Additional and incidental leasing costs	4 years

12. Income tax liabilities

Income tax liabilities mainly consist of obligations for 2010 and 2012.

13. Other current liabilities

Other current liabilities mainly include sales tax (€ 6,421 thousand; 2011: € 3,761 thousand), bonus payments to Board members and employees (€ 5,217 thousand; 2011: € 4,093 thousand), holiday and overtime entitlements (€ 1,811 thousand; 2011: € 1,867 thousand), tax on salaries and church tax (€ 1,575 thousand; 2011: € 2,150 thousand), trade association payments (€ 600 thousand; 2011: € 569 thousand), social security contributions (€ 178 thousand; 2011: € 172 thousand), compensation levy for non-employment of the severely handicapped (€ 148 thousand; 2011: € 145 thousand) and wages and salaries (€ 36 thousand; 2011: € 291 thousand).

14. 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. Loans from Stadtsparkasse Augsburg and Sparkasse Günzburg-Krumbach are valued by the effective interest rate method. Subsidies from Germany's publicly-owned development bank, Kreditanstalt für Wiederaufbau (KfW), for the loans are distributed over the term. The market interest rate when the loans were taken out is between 4.5 percent and 5.53 percent.

	1 Jan. 2012 €'000	**Used €'000**	**Reversal and transfer €'000**	**Addition €'000**	**31 Dec. 2012 €'000**
Guarantees and warranties	1,560	888	0	803	1,475
Purchase price for shares in affiliated companies	0	0	0	679	679
Termination and severance payments, salaries	1,119	310	24	441	1,226
Additional and incidental leasing costs	386	247	23	48	164
Acquisition costs	56	56	0	134	136
Risks	84	64	20	15	15
Other	51	2	6	28	71
	3,256	**1,567**	**73**	**2,148**	**3,766**

15. Capital from profit participation rights and subordinated loans

Capital from profit participation rights and subordinated loans includes mezzanine capital from Bayern Mezzaninekapital GmbH & Co. KG of € 1,957,400.52 (loan proceeds € 4,000,000, minus two repayments of € 1,000,000 each in 2011 and 2012); three subordinated loans from Sparkasse Günzburg-Krumbach of € 412,500, € 523,855.65 (loan proceeds € 1,000,000, minus repayment of € 128,800 in 2012) and € 595,438.60 (loan proceeds € 1,000,000); and four subordinated loans from Stadtsparkasse Augsburg of € 1,240,816.67 (loan proceeds € 1,995,600), € 240,232.49 (loan proceeds € 392,500), € 678,740.70 (loan proceeds € 1,621,000) and € 355,105.79 (loan proceeds € 846,000). The mezzanine capital, two of the subordinated loans from Sparkasse Günzburg-Krumbach 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 subsidy from Germany's publicly-owned development bank, Kreditanstalt für Wiederaufbau (KfW), for the loans from Sparkasse Günzburg-Krumbach and Stadtsparkasse Augsburg are distributed over the term. The market interest rate is between 10 percent and 10.5 percent.
Mezzanine capital of € 4,000,000.00 (loan proceeds) was granted under a mezzanine capital agreement dated 27 December 2007 between CANCOM SE and Bayern Mezzaninekapital GmbH & Co. KG. The funds were paid out on 31 December 2007. Partial repayments of € 1,000,000 each were made on 30 December 2011 and 21 December 2012. The remaining mezzanine capital of € 2,000,000.00 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 0.5 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).
A 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 is to be repaid in four half-yearly instalments of € 412,500.00, starting on 30 September 2011.
Two further loans of € 1,000,000.00 each (loan proceeds) were granted by Sparkasse Günzburg-Krumbach on 21 December 2010. Interest of 5.1 percent per annum is payable on the loan. These are specific-purpose loans out of funds from Germany's publicly-owned development bank, Kreditanstalt für Wiederaufbau (KfW). The scheduled start of repayment is 30 March 2018, with 11 quarterly instalments of € 83,334 on each loan, followed by a final instalment of € 83,326 on each loan. An unscheduled repayment of € 128,800 was made on one of the loans on 10 April 2012. The scheduled repayments for this loan will be reduced to € 72,600 per quarter from 30 March 2018.
A loan of € 1,995,600 (loan proceeds) 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 another specific-purpose loan out of funds from Kreditanstalt für Wiederaufbau (KfW). Repayment, in 12 quarterly instalments of € 166,300, will commence on 30 December 2016.
A further loan of € 392,500 (loan proceeds) from Stadtsparkasse Augsburg was granted on 8 December 2009. Again, this is a specific-purpose loan from Kreditanstalt für Wiederaufbau (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.
A further loan of € 1,621,000 (loan proceeds) was granted by Stadtsparkasse Augsburg on 26 November 2010, at an interest rate of 2.9 percent per annum. This is a further specific-purpose loan out of funds from Kreditanstalt für Wiederaufbau (KfW). Repayment will begin on 30 March 2018, with 11 quarterly instalments of € 135,084 each, followed by a final instalment of € 135,076.
A further loan of € 846,000 (loan proceeds) from Stadtsparkasse Augsburg was granted on 2 December 2010, at an interest rate of 2.9 percent per annum. Again, this is a specific-purpose loan out of funds from Kreditanstalt für Wiederaufbau (KfW). Repayment will begin on 30 March 2018, in 12 quarterly instalments of € 70,500.

16. Prepaid expenses and deferred charges

In addition to deferred sales revenues, this item includes deferrals for government grants. The latter are based on discounted interest rate differences (differences between the market rates and the contractually agreed rates over the entire remaining term), and amount to a total of € 3,603 thousand (see comments under E.2. Other operating income).

17. Deferred tax liabilities

The deferred tax liabilities are as follows:

	€'000
As at 1 January 2012	2,653
Addition from recognition of liabilities directly in equity owing to first-time inclusion in consolidated financial statements	191
Tax revenue/ expense from profit and loss calculation	-13
As at 31 December 2012	**2,831**

The deferred tax liabilities arise from deviations from the tax balance sheets. They are the result of the recognition and revaluation of intangible assets (€ 2,271 thousand), other financial assets (€ 458 thousand), orders in process (€ 75 thousand), other provisions (€ 14 thousand) and capital from profit participation rights and subordinated loans (€ 13 thousand).

In line with IAS 12.39, deferred tax liabilities are not recognised for temporary differences connected with shares in subsidiaries, which amount to € 6,448 thousand.

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

18. Pension provisions

This item comprises only provisions for employee pensions (€ 123 thousand; 2011: € 87 thousand) based on defined benefit obligations assumed as a result of acquisitions.

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 gain/ loss of € 0 thousand (2011: actuarial loss of € 1 thousand) was recorded in the balance sheet in 2012.

The changes in the benefit obligation and the asset value of the funds for the defined benefit schemes are shown below:

	2012 €'000	2011 €'000
Changes in pension obligation		
Defined benefit obligation (DBO) as at 1 January	87	80
Service cost: present value of claims accrued in 2012	31	4
Actuarial gain / loss	21	-1
Interest cost	5	4
Defined benefit obligation as at 31 December	**144**	**87**
Changes in plan assets		
Fair value of plan assets as at 1 January	52	43
Expected return on plan assets	4	9
Fair value of plan assets as at 31 December	**56**	**52**
Excess in funds = balance sheet amount	88	35
Loss not yet recognised in the balance sheet	**-21**	**0**
Composition:		
Provisions for pensions	144	87
Other loans	-56	-52
Loss not yet recognised in the balance sheet	-21	0
	67	**35**

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

	31 Dec. 2012 €'000	31 Dec. 2011 €'000	31 Dec. 2010 €'000	31 Dec. 2009 €'000	1 Jan. 2009 €'000
Defined benefit obligationg	144	87	80	26	150
Fair value of plan assets	56	52	43	0	199

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

	2012 %	2011 %
Interest rate	3.40	6.00
Return on plan assets	2.80	5.00
Salary trend	3.20	0.00
Pension trend	1.00	2.00
Staff turnover	1.50	5.00

The total cost of the pension schemes according to IAS 19 is broken down as follows:

	2012 €'000	2011 €'000
Current service costs	31	4
Acturial gain	0	-1
Interest costs	5	4
Expected return on plan assets	-4	-9
	32	**-2**

The expenses for pension payments in the financial year 2013 are expected to be € 8 thousand.

19. Other non-current financial liabilities

Non-current financial liabilities include debtors with a credit balance, amounting to € 703 thousand (2011: € 638 thousand), purchase price liabilities of € 375 thousand (2011: € 443 thousand) and rent obligations of € 255 thousand (2011: € 0).

20. Equity capital

Changes in the equity capital are shown in Annex 4.

Share capital

The company's share capital at 31 December 2012 was € 11,429,826 (2011: 10,390,751), divided into 11,429,826 (10,930,751) notional no-par-value shares.

Authorised and conditional capital

In conformity with the articles of association, the company's authorised share capital totalled € 3,960,925 as at 31 December 2012, and it was subdivided as follows:

A resolution passed at the general meeting of shareholders on 22 June 2010 authorises the Executive Board to increase the share capital once or in several steps by up to a total of € 4,000,000 by issuing up to 4,000,000 new notional no-par-value bearer shares for a cash or non-cash consideration. The shares must be issued by 20 June 2015 and any issue of shares is subject to the approval of the Supervisory Board.
The shareholders' statutory subscription rights may be excluded in the following cases:

a) if the company increases the share capital by issuing shares for a non-cash consideration in the event of the acquisition of a company or parts of a company or equity investments in a company;

b) if the company increases the share capital by issuing shares for a cash consideration, 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 were 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 issue price is finally determined by the Executive Board, as laid down in Section 203, paragraphs 1 and 2, and Section 186, paragraph 3, sentence 4 of the German Stock Companies Act (Aktiengesetz, AktG). The calculation of the 10 percent threshold must take into account the proportion of the share capital accounted for by new or repurchased shares issued or sold since 22 June 2010 with the simplified exclusion of pre-emptive rights in line with Section 186, paragraph 3, sentence 4 of the German Stock Companies Act, as well as the proportion of the share capital relating to option and/or conversion rights or obligations from bonds issued since 22 June 2010 in compliance with Section 186, paragraph 3, sentence 4 of this Act.

The Executive Board is also authorised to exclude fractional amounts from the shareholders' subscription right.

The Executive Board will determine the nature of the relevant rights conferred by the shares and the other conditions of the share issue (Authorised Capital 2010/I), subject to the approval of the Supervisory Board.

A resolution passed at the general meeting of shareholders on 25 June 2008 authorises the Executive Board to increase the share capital once or in several steps by up to a total of € 1,000,000 by issuing up to 1,000,000 new notional no-par-value bearer shares for a cash consideration. The shares must be issued by 24 June 2013 and any issue of shares is subject to the approval of the Supervisory Board.
The Executive Board is authorised to exclude the shareholders' statutory subscription rights in the following cases, subject to the approval of the Supervisory Board:

aa) for fractional amounts;

bb) if the company increases the share capital by issuing shares for a cash consideration, 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). The calculation of the 10 percent threshold must take into account the proportion of the share capital accounted for by new or repurchased shares issued or sold since 25 June 2008 with the simplified exclusion of pre-emptive subscription rights in line with Section 186, paragraph 3, sentence 4 of the German Stock Companies Act, 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 this Act.

The Executive Board will determine the nature of the relevant rights conferred by the shares and the other conditions of the share issue (authorised capital 2008/II), subject to the agreement of the Supervisory Board.

The Executive Board made use of the above authorisations in the financial year 2012 by using the authorised capital (2008/II) in full, as well as part of the authorised capital (2010/I). It passed a resolution, with the approval of the Supervisory Board, to increase the share capital by up to € 1,039,075, from € 10,390,751 to up to € 11,429,826, by issuing up to 1,039,075 new no-par-value bearer shares for a cash consideration. Each share represents € 1 of the share capital. Shareholders' statutory subscription rights were excluded. The share capital was increased by the full amount of € 1,039,075 (equivalent to 1,039,075 new shares) and entered in the commercial register at Munich Local Court (Amtsgericht) (commercial register HRB 192673) on 13 November 2012. The authorised capital (2010/I) resolved by the general meeting of shareholders on 22 June 2010 amounts to € 3,960,925 after partial use. Article 4 of the articles of association (share capital, authorised capital) was amended by resolution of the Supervisory Board on 25 October 2012.

In accordance with the articles of association, the conditional capital at 31 December 2012 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 make any use of the above authorisations to issue bonds in the period between 1 January and 31 December 2012.

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

Net profit

In accordance with the resolution of the general meeting of shareholders, a dividend of € 0.30 per share (total € 3,117 thousand) was paid in 2012 from the net profit made in the previous year.

21. Minority interests

Minority interests relate to the share of the equity held by the minority shareholders of acentrix GmbH and Glanzkinder GmbH.

22. 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 shares, retained earnings, other reserves, currency translation differences and minority interests.

The objectives of the capital management system 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, accrued expenses, and other liabilities.

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

		31 Dec. 2012	31 Dec. 2011
Equity capital	€ million	80.8	60.9
Equity as a percentage of the total capital	percent	38.7	31.2
Borrowed capital	€ million	127.8	134.0
Borrowed capital as a percentage of the total capital	percent	61.3	68.8
Total capital (equity and borrowed capital)	€ million	208.6	194.9

Some of the company's loan contracts contain minimum capital requirements (covenants), which are calculated by the banks using various calculation methods. The relevant covenants are monitored on an ongoing basis to ensure that they are complied with in line with capital risk management.

The group's capital structure is reviewed at regular intervals as part of the risk management process.

D. Segment information

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

Description of the segments subject to mandatory reporting

The e-commerce operating segment includes CANCOM Deutschland GmbH, CANCOM Computersysteme GmbH, CANCOM a+d IT solutions GmbH, CANCOM (Switzerland) AG, and CANCOM Ltd (discontinued operation), in addition to the cost centres of CANCOM cloud solutions GmbH allocated to CANCOM Deutschland GmbH, less the cost centres of CANCOM Deutschland GmbH allocated to CANCOM IT Solutions GmbH and CANCOM cloud solutions GmbH. This operating segment mainly comprises the transaction-focused and product-related activities of the group based on online, catalogue, telephone and direct sales.

The IT solutions operating segment includes CANCOM IT Solutions GmbH, CANCOM NSG GmbH, CANCOM NSG GIS GmbH, CANCOM NSG SCS GmbH, CANCOM NSG ICP GmbH, CANCOM physical infrastructure GmbH, acentrix GmbH, CANCOM cloud solutions GmbH, Glanzkinder GmbH and CANCOM Unicorner GmbH, in addition to the cost centres of CANCOM Deutschland GmbH allocated to CANCOM IT Solutions GmbH and CANCOM cloud solutions GmbH, less the cost centres of CANCOM cloud solutions GmbH allocated to CANCOM Deutschland GmbH. 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 are CANCOM SE, CANCOM VVM GmbH and CANCOM Financial Services GmbH. CANCOM SE performs the staff and/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 revenues according to customer location		Sales revenues according to company location	
	2012 €'000	2011 €'000	2012 €'000	2011 €'000
Germany	514,347	489,455	529,127	502,023
Outside Germany	43,733	54,924	28,953	42,356
Group	558,080	544,379	558,080	544,379

	Non-current assets	
	31 Dec. 2012 €'000	31 Dec. 2011 €'000
Germany	58,719	51,729
Outside Germany	1,923	2,025
Group	60,642	53,754

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

E. Notes to the consolidated statement of income

1. Sales revenues

The sales revenues, which amount to € 558,080 thousand, include order revenue of € 849 thousand calculated using the POC method.

2. Other operating income

The other operating income is made up of the following:

	2012 €'000	2011 €'000
Rent	35	7
Income from repayment of non-current liabilities	0	136
Income not relating to the period	109	60
Government grants	472	405
Other operating income	31	70
Total	**647**	**678**

Income not relating to the period mainly includes income from derecognition of debtors with a credit balance, and the proceeds of the sale of non-current assets.

Government grants include the profit allocated to the financial year 2012 from availing of loans at a favourable interest rate. For more information see details on loans in sections C 14 and C 15.

3. Other own work capitalised

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

Other own work capitalised comprises the following:

	2012 €'000	2011 €'000
Capitalised development costs	224	0
Own work capitalised for acquired intangible assets	1,978	900
Own work capitalised for acquired tangible assets	311	0
Total	**2,513**	**900**

Research and development costs in 2012 amounted to € 0.5 million. This amount was not capitalised.

4. Personnel expenses

The personnel expenses consist of the following:

	2012 €'000	2011 €'000
Wages and salaries	95,342	91,551
Social security contributions	16,689	16,060
Pension expenses	332	350
Total	**112,363**	**107,961**

5. Other operating expenses

The other operating expenses consist of the following items:

	2012 €'000	2011 €'000
Office space costs	5,758	5,073
Insurance and other charges	706	760
Motor vehicle costs	4,165	5,889
Advertising costs	1.140	1,137
Stock exchange and entertainment costs	473	386
Hospitality and travelling expenses	3,202	2,945
Delivery costs	1,842	2,223
Third-party services	1,883	2,053
Repairs, maintenance, leasing	889	918
Communication and office expense	1,747	1,862
Professional development and training costs	1,412	1,237
Legal and consultancy expenses	965	541
Fees and charges; costs of money transactions	302	368
Other operating expenses	1,269	974
Total	**25,753**	**26,366**

6. Interest income and expenses

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

7. Income tax

The rate of income tax for the German companies was 30.60 percent (2011: 30.62 percent). This is made up of corporation tax, trade tax and solidarity surcharge. The slight fall in the income tax rate is owing to the fall in the average rate of trade tax.

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

	2012 €'000	2011 €'000
Earnings before tax	**18,879**	**16,899**
Expected tax expense at rate for German companies (30.60 percent; 2011: 30.62 percent)	**5,777**	**5,174**
- Difference from tax paid outside Germany	25	-19
- Change in value adjustment of deferred tax assets on loss carryforwards	0	-4
- Tax-exempt income / non tax-relevant capital losses on disposals	15	-249
- Actual income tax not relating to the period	592	46
- Permanent differences: non-deductible operating expenses, as well as additions and reductions in relation to trade tax	196	323
- Deferred taxes due to contingent purchase price components	0	-380
- Miscellaneous	7	-20
Total Group income tax	**6,612**	**4,871**

The actual tax rate is calculated as follows:

	€'000
Income before tax	18,879
Income tax	6,612
Actual tax expense rate	35.02%

The actual tax expense rate in 2012 does not reflect the anticipated future rate, as it includes non-recurring items not relating to the period, arising from the tax audit. Without these non-recurring items the rate is 32.08 percent.

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

	2012 €'000	2011 €'000
Actual income tax paid	7,021	6,104
Deferred taxes		
Assets	-486	-167
Liabilities	-13	-1,066
	-499	-1,233
Deferred taxes recognised directly in equity	90	0
Group income tax	**6,612**	**4,871**

The calculation of income tax in accordance with IAS 12 takes account of tax deferrals resulting from different methods of measurement used for the tax balance sheet, as well as from realisable loss carryforwards, from differences in the results produced by the measurement of tax in the single-entity financial statements of the consolidated subsidiaries and those produced by the group's standard method, 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 4 years. The deferred taxes are calculated on the basis of the tax rates expected to apply in the period in which an asset is realised or a liability satisfied. The tax rates are those that apply or will apply on the balance sheet date. Deferred taxes on items charged directly to equity relate to the costs of increasing the share capital.

8. Discontinued operations

The impact of discontinued operations on the consolidated statement of income is a loss of € 683 thousand (2011: a loss of € 338 thousand).
This amount consists of income (including other operating income and income from equity investments of € 2,517 thousand (2011: € 46,503 thousand), expenditure of € 3,200 thousand (2011: € 46,869 thousand) and a pre-tax loss of € 683 thousand (2011: loss of € 366 thousand). In 2012, the related income tax gain was € 0 thousand (2011: € 28 thousand). On deconsolidation, foreign exchange losses of € 281 thousand were reclassified from other comprehensive income to the statement of income.

The discontinued operations relate to the sale of the equity interest in CANCOM Ltd, UK on 16 March 2012. The assets and liabilities of the company were no longer included in the consolidated accounts from this date. In 2011, the loss made by CANCOM Ltd, which amounted to € 1,222 thousand, was shown under discontinued operations.

9. Minority interests

Minority interests account for 49 percent of acentrix GmbH's net income (€ 85 thousand) and 51 percent of Glanzkinder GmbH's net income since it was first included in the consolidated accounts on 1 July 2012 (€ 30 thousand). Please see Annex 4 for changes in minority interests in the equity capital.

F. Notes to the statement of cash flows

The consolidated statement of cash flows is prepared in accordance with IAS 7 Statement of Cash Flows. 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 statement of cash flows comprise cash in hand and cash at banks.

The indirect method was used to establish the cash flow from current activities. The cash flow from ordinary activities fell by € 10.6 million compared with 2011. The cash resources of € 44,638 thousand (2011: € 44,475 thousand) include the cash and cash equivalents shown in the balance sheet. This comprises cash in hand and cash at banks. In 2011 there was also cash of € 110 thousand from discontinued operations.

G. Other disclosures

1. Related party disclosures

CANCOM SE has prepared these consolidated financial statements as the parent company with ultimate control. They are not included in the consolidated financial statements of any other group.

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 SE. Rudolf Hotter, the other Executive Board member, is also a related party for the purposes of IAS 24, as are the members of the Supervisory Board.
Other related persons under IAS 24.9 b are:

- AL-KO Kober AG and its subsidiaries,
- PEN GmbH,
- WFO Vermögensverwaltung GmbH,
- AURIGA Corporate Finance GmbH, and
- SNP Schneider-Neureither & Partner AG.

The following level of remuneration was set for the Executive Board members in the financial year 2012:

The remuneration of the CEO, Klaus Weinmann, consisted of a fixed payment of € 502 thousand, a bonus of € 561 thousand and other remuneration components amounting to € 20 thousand. His total remuneration was € 1,083 thousand. The remuneration of the other Executive Board member, Rudolf Hotter, consisted of a fixed payment of € 334 thousand, a bonus of € 281 thousand and other remuneration components amounting to € 5 thousand. His total remuneration was € 620 thousand. The total remuneration of the Executive Board for the financial year 2012 was € 1,703 thousand.

The Supervisory Board members received the following remuneration in the financial year 2012:

The remuneration of the Chairperson of the Supervisory Board, Walter von Szczytnicki, was € 97 thousand. The remuneration of the Deputy Chairperson, Stefan Kober, was € 49 thousand. Raymond Kober received € 15 thousand, Walter Krejci € 29 thousand, Regina Weinmann € 24 thousand, Petra Neureither € 24 thousand and Professor Dr Arun Chaudhuri € 14 thousand. The total remuneration of the Supervisory Board members in 2012 was € 252 thousand.

Transactions with related persons were settled in the same way as arm's length transactions, and the payment terms are net 10-30 days.

The transaction volume of goods sold and services provided to related parties under IAS 24 was € 2,414 thousand (gross), of which € 215 thousand was still outstanding at the balance sheet date. This amount relates to goods/services purchased by AL-KO Kober AG and its subsidiaries.

The transaction volume of goods and services purchased from related parties under IAS 24 was € 2 thousand (gross), which had been paid for in full by the balance sheet date. This amount relates to goods/services purchased from AL-KO Kober AG and its subsidiaries.

A consultancy agreement was in place between CANCOM SE and the Chairperson of its Supervisory Board, Walter von Szczytnicki, from 1 July 2007 until 30 June 2012. The contract was approved on 9 March 2007 in accordance with Section 114 of the German Stock Companies Act (Aktiengesetz, AktG), and provided for an annual remuneration of € 60 thousand. The consultancy agreement expired on 30 June 2012. The remuneration paid in the financial year 2012 amounted to € 30 thousand.

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

Shareholder	Number of shares	percent
Klaus Weinmann	177,270	1.5509
Stefan Kober	261,289	2.2860
Petra Neureither	35,000	0.3062

3. Contingent liabilities and other financial obligations

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

Due	2013 €'000	2014 €'000	2015 €'000	2016 €'000	2017 €'000	später €'000	gesamt €'000
under tenancy agreements	4,438	4,080	3,720	2,704	2,535	10,352	27,829
under leasing agreements	1,064	775	303	45	2	0	2,189
	5,502	**4,854**	**4,023**	**2,749**	**2,537**	**10,352**	**30,018**

The leasing agreements are for operating leases.

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

In 2007, CANCOM SE sold its business premises under a sale and lease-back agreement to improve liquidity and optimise the structure of its balance sheet.

5. Declaration of conformity with the German Corporate Governance Code

CANCOM SE made a statement of conformity in 2012 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.com on 19 December 2012.

6. Auditors' fees

The following fees (total fees plus expenses, excluding value-added tax) were charged in the financial year 2012 by the auditors appointed 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	153*
b) Tax consultancy	€'000	0
c) Other services	€'000	6

* thereof attributable to financial year 2011: € 3 thousand

7. Employees

	2012	2011
Average over the year	2,040	2,101
At year-end	2,076	2,097

8. Equity interests in the company as defined in Section 20 IV of the German Stock Companies Act (Aktiengesetz, AktG)

CANCOM SE did not receive written notice from any shareholder disclosing a majority shareholding as defined in Section 20 of the above Act in 2011.

9. Executive Board and Supervisory Board

The members of the Executive Board are:

- Klaus Weinmann, graduate in business administration (Dipl.-Kaufmann), Aystetten, Germany (CEO)
- Rudolf Hotter, graduate in business economics (Dipl.-Betriebswirt), Füssen, 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 members of the Executive Board are members of the supervisory boards of other companies:

- Klaus Weinmann:
  - SNP Schneider-Neureither & Partner AG
  - CANCOM NSG GmbH (until 31 March 2012)
  - CANCOM IT Solutions GmbH (since 30 November 2012)

- Rudolf Hotter:
  - CANCOM NSG GmbH (since 1 April 2012)
  - CANCOM IT Solutions GmbH (since 30 November 2012)

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

- Thomas Stark, graduate in industrial engineering (Dipl.-Wirtschaftsingenieur), Wittislingen, Germany

The members of the Supervisory Board are:

- Walter von Szczytnicki, management consultant, Kirchseeon, Germany (Chairperson)
- Stefan Kober, member of the board of management of AL-KO Kober AG, Kötz, Germany (Deputy Chairperson)
- Raymond Kober, member of the board of management of AL-KO Kober AG, Kötz, Germany (until 21 June 2012)
- Walter Krejci, managing director of AURIGA Corporate Finance GmbH, Munich, Germany
- Regina Weinmann, graduate in business administration (Dipl.-Kauffrau), managing director of WFO Vermögensverwaltung GmbH, Aystetten, Germany
- Petra Neureither, graduate in economics (Dipl.-Volkswirtin), managing director of PEN GmbH, Heidelberg, Germany
- Professor Dr Arun Chaudhuri, graduate in industrial engineering (Dipl.-Wirtschaftsingenieur), management consultant, Germany (since 21 June 2012)

The following members of the Supervisory Board are also members of other supervisory boards:

- Walter von Szczytnicki:
  - AL-KO Kober AG

10. Significant events after the reporting date

In the estimation of the Executive Board, there were no significant reportable events after the reporting date.

11. Proposal for the appropriation of retained profit of CANCOM SE

The Executive Board of CANCOM SE has resolved to propose to the Supervisory Board and the general meeting of shareholders that the € 7,409,710.35 retained profit from the financial year 2012 be used for a dividend payment of € 0.35 per eligible notional no-par-value share, and that the balance of the retained profit remaining after the dividend payment be transferred to other reserves.

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 12 March 2013.

13. Statement of ownership in accordance with Section 313 of the German Commercial Code (Handelsgesetzbuch, HGB)

Tochterunternehmen:	Company's registered office	Shareholding (percentage)
1. CANCOM Deutschland GmbH	Jettingen-Scheppach, Germany	100.0
and its subsidiaries		
• CANCOM (Switzerland) AG	Caslano, Switzerland	100.0
• CANCOM Computersysteme GmbH	Graz-Thondorf, Austria	100.0
and its subsidiaries		
• CANCOM a + d IT solutions GmbH	Perchtoldsdorf, Austria	100.0
2. CANCOM NSG GmbH	Jettingen-Scheppach, Germany	100.0
and its subsidiaries		
• CANCOM NSG GIS mbH	Jettingen-Scheppach, Germany	100.0
• CANCOM NSG SCS mbH	JettingeJettingen-Scheppach, Ger-	100.0
• CANCOM NSG ICP mbH	many	100.0
3. CANCOM IT Solutions GmbH	Munich, Germany	100.0
and its subsidiaries		
• acentrix GmbH	Jettingen-Scheppach, Germany	51.0
4. CANCOM physical infrastructure GmbH	Jettingen-Scheppach, Germany	100.0
5. CANCOM cloud solutions GmbH	Munich, Germany	100.0
6. Glanzkinder GmbH	Cologne, Germany	49.0
7. CANCOM Unicorner GmbH	Jettingen-Scheppach, Germany	100.0
8. CANCOM Financial Services GmbH	Jettingen-Scheppach, Germany	100.0
9. CANCOM VVM GmbH	Jettingen-Scheppach, Germany	100.0

Munich, Germany, 12 March 2013

Klaus Weinmann Rudolf Hotter

Executive Board of CANCOM SE

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.

Munich, Germany, 12 March 2013

Klaus Weinmann Rudolf Hotter

Executive Board of CANCOM SE

Auditors' report

We have audited the consolidated annual financial statements (consisting of balance sheet, statement of comprehensive income, statement of changes in equity, cash flow statement and notes to the accounts) prepared by CANCOM SE (formerly CANCOM AG), as well as the management report of CANCOM SE and the CANCOM Group for the financial year from 1 January to 31 December 2012. It is the responsibility of the Executive Board of CANCOM SE 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 combined management report of CANCOM SE and the CANCOM Group, 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 the combined management report of CANCOM SE and the CANCOM Group 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 combined management report of CANCOM SE and the CANCOM 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 combined management report of CANCOM SE and the CANCOM Group 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, 12 March 2013

S&P GmbH
Wirtschaftsprüfungsgesellschaft

Ulrich Stauber	Johann Dieminger
Certified auditor	Certified auditor

SE Company balance sheet as at 31 December 2012

ASSETS

	31/12/2012 €	31/12/2011 €
A. FIXED ASSETS		
I. Intangible assets and goodwill		
Concessions, industrial property rights and other similar rights and values, as well as licenses to such rights and values	75,816.86	7,653.75
II.Property, plant and equipment		
1. Shares in affiliated companies and subsidiaries	157,605.67	188,464.90
2. Investments	609,335.79	613,065.07
	766,941.46	801,529.97
III. Financial assets		
Shares in affiliated companies and subsidiaries	40,229,050.14	39,565,045.37
B. CURRENT ASSETS		
I. Accounts receivable and other assets		
1. Accounts receivable due from affiliated companies and subsidiaries	32,032,740.19	20,063,049.74
2. Other assets	50,628.96	2,078,217.54
	32,083,369.15	22,141,267.28
II. Cash and cash equivalents due from banks	9,042,297.81	17,308,583.85
C. PREPA ID EXPENSES	56,481.40	37,764.00
	82,253,956.82	**79,861,844.22**

EQUITY AND LIABILITIES

	31/12/2012 €	31/12/2011 €
A. Equity		
I. Share capital	11,429,826.00	10,390,751.00
II. Additional paid-in capital	27,366,591.56	16,975,841.56
III. Retained earnings		
1. Statutory reserves	6,665.71	6,665.71
2. Other reserves	25,181,068.21	17,063,190.55
	25,187,733.92	17,069,856.26
IV. Unappropriated profit	7,409,710.35	11,235,102.96
	71,393,861.83	55,671,551.78
B. provisions		
1. Deferred taxes	1,573,990.72	3,925,872.95
2. Other provisions	1,823,196.00	1,115,823.00
	3,397,186.72	5,041,695.95
C. liabilities		
Profit participation capital and subordinated loans	4,800,600.00	12,625,600.00
2. Liabilities due to banks	2,192,729.41	5,861,707.74
3. Trade accounts payable	132,837.84	131,857.02
4. Other liabilities	321,263.02	529,431.73
	7,447,430.27	19,148,596.49
D. Prepa id expenses	15,478.00	0,00
	82,253,956.82	**79,861,844.22**

Company income statement for the period from 1 January 2012 to 31 December 2012

	2012 €	2011 €
1. Revenues	8,129,683.00	7,490,000.00
2. Other operating income	1,311,463.33	1,415,918.95
3. Personnel expenes		
a) Wages and salaries	-4,086,080.53	-3,892,671.65
b) Social security, pension and other benefit costs	-372,033.84	-400,853.05
	-4,458,114.37	-4,293,524.70
4. Depreciation and amortisation:		
a) on intangible and tangible fixed assets	-183,065,10	-247,536.59
b) on current assets and liabilities to the extent that it exceeds depreations normal for the company	-242,815.33	-977,409.16
	-425,880.43	-1,224,945.75
5. Other operating expenses	-3,576,120.42	-3,196,009.29
6. Income from equity investments	500,000.00	3,854,209.47
7. Profits gained on the basis of a profit transfer agreement	11,082,062.14	12,262,132.31
8. Other interest and similar income	683,138.53	631,006.89
9. Depreciation on investments	0.00	-438,916.00
10. Interest and similar expenses	-1,247,559.18	-1,382,624.10
11. Profit / loss from ordinary activities	**11,998,672.60**	**15,117,247.78**
12. extraordinary expenses	-299,357.65	0.00
13. extraordinary profit/loss	-299,357.65	0.00
14. Taxes on income	-4,270,504.51	-3,869,645.82
15. Other taxes	-19,100.09	-12,499.00
16. Net profit for the year	**7,409,710.35**	**11,235,102.96**
17. Net profit carried forward	11,235,102.96	8,023,812.57
18. Allocation to retained earnings in andere Gewinnrücklagen	-8,117,877.66	-6,465,199.92
19. Payout	-3,117,225.30	-1,558,612.65
20. Balance sheet profit	**7,409,710.35**	**11,235,102.96**


CANCOM

Statement of changes in fixed assets

	ACQUISITION/ MANUFACTURING COSTS			
	Balances at 1 Jan. 2012 €	**Additions 2012 €**	**Disposals 2012 €**	**Balance as at 31 Dec. 2012 €**
I. Intangible assets				
Concessions, industrial property rights and similar rights and values as well as licences thereto	21,195.00	75,228.11	0.00	96,423.11
	21,195.00	75,228.11	0.00	96,423.11
II. Property, plant and equipment				
1. Technical equipment and machinery	481,010.32	0.00	0.00	481,010.32
2. Other plant, fixtures, fittings and equipment	955,234.64	173,785.07	104,980.36	1,024,039.35
	1,436,244.96	173,785.07	104,980.36	1,505,049.67
III. Financial assets				
Shares in subsidiaries and affiliated companies	43,549,708.40	667,441.70	3,217,171.96	40,999,978.14
	43,549,708.40	667,441.70	3,217,171.96	40,999,978.14
Total	**45,007,148.36**	**916,454.88**	**3,322,152.32**	**42,601,450.92**

DEPRECIATION AND AMORTISATION				CARRYING AMOUNTS	
Balance as at 1 Jan. 2012 €	**Additions 2012 €**	**Disposals 2012 €**	**Balance as at 31 Dec. 2012 €**	**Balance as at 31 Dec. 2012 €**	**Balance as at 31 Dec. 2011 €**
13,541.25	7,065.00	0.00	20,606.25	75,816.86	7,653.75
13,541.25	7,065.00	0.00	20,606.25	75,816.86	7,653.75
292,545.42	30,859.23	0.00	323,404.65	157,605.67	188,464.90
342,169.57	145,140.87	72,606.88	414,703.56	609,335.79	613,065.07
634,714.99	176,000.10	72,606.88	738,108.21	766,941.46	801,529.97
3,984,663.03	0.00	3,213,735.03	770,928.00	40,229,050.14	39,565,045.37
3,984,663.03	0.00	3,213,735.03	770,928.00	40,229,050.14	39,565,045.37
4,632,919.27	**183,065.10**	**3,286,341.91**	**1,529,642.46**	**41,071,808.46**	**40,374,229.09**

NOTES TO THE COMPANY ACCOUNTS for the financial year 2012

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).

A resolution was passed at the general meeting of shareholders on 18 December 2012 to convert CANCOM AG into CANCOM SE, a European public limited company (or Societas Europaea, SE). The conversion was recorded in the commercial register on 28 February 2013.

B. Accounting and valuation principles

Intangible assets

Intangible assets are valued at acquisition cost less scheduled pro-rata amortisation (based on a useful life of three years). Items are written down according to the straight-line method of depreciation.

Sachanlagevermögen

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

A useful life of between 3 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. The depreciation period is the anticipated useful life of the asset.

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.

Provisions

Provisions have been measured at their settlement values according to reasonable commercial assessment, and take account of all identifiable risks, contingent liabilities and anticipated losses.

Liabilities

Liabilities are recognised at their settlement values.

Deferred taxes

If a tax burden is expected overall in future financial years, a surplus of deferred tax liabilities is recognised for the differences between the financial and tax recognition of assets, liabilities and prepaid expenses/deferred charges, taking into consideration allowable losses. If a future tax benefit is expected overall, the company does not recognise deferred tax assets, which is an option offered by Section 274, paragraph 1, sentence 2 of the German Commercial Code (Handelsgesetzbuch, HGB). Loss carryovers are taken into account to the extent that they can be offset against taxable income within the next five years. Additionally, differences between the financial and tax recognition of the assets, liabilities and prepaid expenses/deferred charges of subsidiaries are taken into account to the extent that future tax burdens and tax benefits are anticipated from the reversal of temporary differences at the parent company, CANCOM SE.

Deferred taxes are measured on the basis of the tax rates applicable in the future financial year in which the temporary differences in measurement are reversed, provided that the future tax rates are already known. The income tax rate is 30.30 percent (2011:

29.97 percent) and consists of corporation tax and trade tax as well as the solidarity surcharge. The slight increase in the income tax rate compared with 2011 is owing to the increase in the average trade tax rate.

Basis for currency conversion

Accounts payable and receivable in foreign currencies within the Group are converted at the average spot rate on the balance sheet date. Monetary balance sheet items in foreign currencies were also converted at the rate applicable on the reporting date. Liabilities with a remaining term to maturity of more than one year are converted at the higher historical rate if applicable, while accounts receivable and other monetary assets with a remaining term to maturity of more than one year are converted at the lower historical rate.

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 (Annex 3, page 11).

For the composition of the financial assets and the net incomes of the subsidiaries, please see the statement of shareholdings in companies (Annex 3, page 12).

Accounts receivable and other assets

All accounts receivable and other assets have a residual term of less than one year.

Accounts receivable from subsidiaries and affiliated companies amount to € 32,033 thousand (2011: € 20,063 thousand). These relate to CANCOM NSG GmbH (€ 15,727 thousand; 2011: € 3,585 thousand), CANCOM Deutschland GmbH (€ 8,375 thousand; 2011: € 9,753 thousand), CANCOM cloud solutions GmbH (€ 3,736 thousand; 2011: € 3,515 thousand), CANCOM Computersysteme GmbH (€ 1,615 thousand; 2011: € 1,536 thousand), CANCOM IT Solutions GmbH (€ 889 thousand; 2011: € 1,053 thousand), acentrix GmbH (€ 697 thousand; 2011: € 58 thousand), Glanzkinder GmbH (€ 502 thousand; 2011: € 0), CANCOM physical infrastructure GmbH (€ 401 thousand; 2011: € 502 thousand), CANCOM a+d IT solutions GmbH (€ 72 thousand; 2011: € 36 thousand), CANCOM NSG ICP GmbH (€ 14 thousand; 2011: € 14 thousand), CANCOM NSG GIS GmbH (€ 4 thousand; 2011: € 8 thousand) and CANCOM NSG SCS GmbH (€ 1 thousand; 2011: € 3 thousand). Of the accounts receivable from subsidiaries and affiliated companies, debt accounts for € 18,875 thousand (2011: € 5,236 thousand), other current assets € 8,555 thousand (2011: € 9,977 thousand) and trade accounts receivable € 4,603 thousand (2011: € 4,850 thousand).

Share capital

As at 31 December 2012, the company's share capital was € 11,429,826 (2011: € 10,390,751), divided into 11,429,826 notional no-par-value bearer shares (2011: 10,930,751).

Authorised and conditional capital

In conformity with the articles of association, the company's authorised share capital totalled € 3,960,925 as at 31 December 2012, and it was subdivided as follows:

A resolution passed at the general meeting of shareholders on 22 June 2010 authorises the Executive Board to increase the share capital once or in several steps by up to a total of € 4,000,000 by issuing up to 4,000,000 new notional no-par-value bearer shares for a cash or non-cash consideration. The shares must be issued by 20 June 2015 and any issue of shares is subject to the approval of the Supervisory Board.
The shareholders' statutory subscription rights may be excluded in the following cases:

a) if the company increases the share capital by issuing shares for a non-cash consideration in the event of the acquisition of a company or parts of a company or equity investments in a company;

b) if the company increases the share capital by issuing shares for a cash consideration, 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 were 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 issue price is finally determined by the Executive Board, as laid down in Section 203, paragraphs 1 and 2, and Section 186, paragraph 3, sentence 4 of the German Stock Companies Act (Aktiengesetz, AktG). The calculation of the 10 percent threshold must take into account the proportion of the share capital accounted for by new or repurchased shares issued or sold since 22 June 2010 with the simplified exclusion of pre-emptive rights in line with Section 186, paragraph 3, sentence 4 of the German Stock Companies Act, as well as the proportion of the share capital relating to option and/or conversion rights or obligations from bonds issued since 22 June 2010 in compliance with Section 186, paragraph 3, sentence 4 of this Act.

The Executive Board is also authorised to exclude fractional amounts from the shareholders' subscription right.

The Executive Board will determine the nature of the relevant rights conferred by the shares and the other conditions of the share issue (Authorised Capital 2010/I), subject to the approval of the Supervisory Board.

A resolution passed at the general meeting of shareholders on 25 June 2008 authorises the Executive Board to increase the share capital once or in several steps by up to a total of € 1,000,000 by issuing up to 1,000,000 new notional no-par-value bearer shares for a cash consideration. The shares must be issued by 24 June 2013 and any issue of shares is subject to the approval of the Supervisory Board.
The Executive Board is authorised to exclude the shareholders' statutory subscription rights in the following cases, subject to the approval of the Supervisory Board:

aa) for fractional amounts;

bb) if the company increases the share capital by issuing shares for a cash consideration, 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). The calculation of the 10 percent threshold must take into account the proportion of the share capital accounted for by new or repurchased shares issued or sold since 25 June 2008 with the simplified exclusion of pre-emptive subscription rights in line with Section 186, paragraph 3, sentence 4 of the German Stock Companies Act, 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 this Act.

The Executive Board will determine the nature of the relevant rights conferred by the shares and the other conditions of the share issue (authorised capital 2008/II), subject to the agreement of the Supervisory Board.

The Executive Board made use of the above authorisations in the financial year 2012 by using the authorised capital (2008/II) in full, as well as part of the authorised capital (2010/I). It passed a resolution, with the approval of the Supervisory Board, to increase the share capital by up to € 1,039,075, from € 10,390,751 to up to € 11,429,826, by issuing up to 1,039,075 new no-par-value bearer shares for a cash consideration. Each share represents € 1 of the share capital. Shareholders' statutory subscription rights were excluded. The share capital was increased by the full amount of € 1,039,075 (equivalent to 1,039,075 new shares) and entered in the commercial register at Munich Local Court (Amtsgericht) (commercial register HRB 192673) on 13 November 2012. The authorised capital (2010/I) resolved by the general meeting of shareholders on 22 June 2010 amounts to € 3,960,925 after partial use. Article 4 of the articles of association (share capital, authorised capital) was amended by resolution of the Supervisory Board on 25 October 2012.

In accordance with the articles of association, the conditional capital at 31 December 2012 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 make any use of the above authorisations to issue bonds in the period between 1 January and 31 December 2012.

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

Capital reserves

The capital reserves consist of the following:

	2012 €'000	2011 €'000
Capital reserves at 1 January	16,976	16,976
Increase in share capital (Section 272, paragraph 2, no. 1 of the German Commercial Code – HGB)	10,391	0
Capital reserves	**27,367**	**16,976**

Other revenue reserves

The other revenue reserves consist of the following:

	2012 €'000	2011 €'000
Other revenue reserves at 1 January	17,063	10,598
Transfer of retained profit	8,118	6,465
Other revenue reserves	**25,181**	**17,063**

Retained profit

Retained profit consists of the following:

	2012 €'000	2011 €'000
Amount brought forward at 1 January	11,235	8,024
Dividend distribution	-3,117	-1,559
Transfer to other revenue reserves	-8,118	-6,465
Profit for the year	7,410	11,235
Retained profit Bilanzgewinn	**7,410**	**11,235**

Provisions

The other provisions are mainly for bonus payments (€ 940 thousand; 2011: € 799 thousand), emoluments to Supervisory Board members (€ 200 thousand; 2011: € 35 thousand), outstanding invoices (€ 248 thousand; 2011: € 88 thousand), financial statements and audit fees (€ 141 thousand; 2011: € 77 thousand), interest on additional tax demands (€ 105 thousand; 2011: € 0), severance payments (€ 58 thousand; 2011: € 37 thousand), variable salary components (€ 39 thousand; 2011: € 32 thousand), future tax audits (€ 25 thousand; 2011: € 0), benefit from rent-free period (€ 19 thousand; 2011: € 0), impending losses from pending transactions (€ 15 thousand; 2011: € 0), holiday entitlements (€ 14 thousand; 2011: € 13 thousand) and printing costs for the annual financial statements (€ 12 thousand; 2011: € 12 thousand).

Liabilities

For a breakdown of liabilities, please see the statement of liabilities (Annex 3, page 13).

Capital from profit participation rights and subordinated loans includes mezzanine capital of € 2,000,000 (Bayern Mezzaninekapital GmbH & Co. KG), and subordinated loans of € 412,500 (Sparkasse Günzburg-Krumbach), € 1,995,600 (Stadtsparkasse Augsburg) and € 392,500 (Stadtsparkasse Augsburg).

Mezzanine capital of € 4,000,000 was granted under a mezzanine capital agreement of 27 December 2007 between CANCOM SE and Bayern Mezzaninekapital GmbH & Co. KG. The funds were paid out on 31 December 2007. Two partial repayments of € 1,000,000 each were made on 30 December 2011 and 21 December 2012. The remaining mezzanine capital of € 2,000,000 is due to be repaid in full by 31 December 2015, and interest is payable 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 0.5 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 a time when 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, no. 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 at an interest rate of 6.67 percent per annum. The loan is being 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, at an interest rate of 4.25 percent per annum. This is a specific-purpose loan out of funds from Germany's publicly-owned development bank, Kreditanstalt für den Wiederaufbau (KfW). Repayment in 12 quarterly instalments of € 166,300 each will commence on 30 December 2016.

A loan of € 392,500 from Stadtsparkasse Augsburg was granted on 8 December 2009, at an interest rate of 4 percent per annum. This is another specific-purpose loan from Kreditanstalt für den Wiederaufbau (KfW). Repayment in 11 quarterly instalments of € 32,709 each and a final instalment of € 32,701 will commence on 30 December 2016.

D. Explanations and disclosures concerning the statement of income

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

Revenues for 2012 consist solely of Group allocations (€ 8,130 thousand; 2011: € 7,490 thousand).

Other operating income includes income not relating to the period, amounting to € 7 thousand (2011: € 4 thousand). This includes income from the reversal of provisions (€ 7 thousand; 2011: € 4 thousand).

Income from equity investments amounting to € 500 thousand (2011: € 3,854 thousand) consists of the dividend for CANCOM physical infrastructure GmbH (€ 500 thousand; 2011: € 500 thousand). In 2011 it also included the dividend for CANCOM NSG GmbH (€ 500 thousand) as well as profits from the sale of equity investments (€ 2,854 thousand).

Profits made on the basis of a profit transfer agreement consists of CANCOM Deutschland GmbH's profit for the year (€ 8,139 thousand; 2011: € 9,454 thousand) and that of CANCOM NSG GmbH (€ 2,943 thousand; 2011: € 2,808 thousand), which were transferred to CANCOM SE.

Interest and similar income comprises interest income of € 573 thousand (2011: € 588 thousand) from subsidiaries and affiliated companies.

Extraordinary profit/(loss) consists of non-recurring expenses from the increase in share capital, amounting to € 299 thousand.

Other disclosures

Disclosures in compliance with Section 285, no. 3 of the German Commercial Code (Handelsgesetzbuch, HGB)

In the financial year 2007 the business premises were sold in a sale and lease-back agreement to improve liquidity and optimise the condition of the balance sheet.
Information regarding the risks connected with this agreement can be found under other financial obligations.

Disclosures in compliance with Section 285, no. 29 of the German Commercial Code (Handelsgesetzbuch, HGB)

In the financial year 2012, there were differences between the financial balance sheet and the tax balance sheet which would have given rise to both deferred tax assets and deferred tax liabilities. However, there is a surplus of deferred tax assets. Section 274, paragraph 1, sentence 2 of the German Commercial Code (Handelsgesetzbuch, HGB) offers an option to capitalise these assets, but the company did not exercise this option.

The resulting net deferred tax assets are made up of deferred tax liabilities on the tax adjustment items of the subsidiaries and shares in affiliated companies and subsidiaries, as well as deferred tax assets on goodwill and other provisions.

Other financial obligations

Obligations under current tenancy and lease agreements are as follows:

	due in 2013 €'000	**total €'000**
Tenancy agreements	854	7,752
Lease agreements	38	80
of which from subsidiaries and affiliated companies	1	1

STATEMENT OF COMPANY LIABILITIES

	Remaining term		
	up to 1 year €	over 1 year €	over 5 years €
1. Profit participation rights and subordinated loans	412,500.00	2,995,045.00	1,393,055.00
2. Liabilities to banks	476,290.41	1,194,064.00	522,375.00
3. Trade accounts payable	132,837.84	0.00	0.00
4. Other liabilities	321,263.02	0.00	0.00
(of which taxes)	*234,506.14*	*0.00*	*0.00*
(of which social security contributions)	*0.00*	*0.00*	*0.00*
	1,342,891.27	**4,189,109.00**	**1,915,430.00**

Contingent liabilities

As at the reporting date, there are guarantees for CANCOM Deutschland GmbH (€ 11,642 thousand; 2011: € 11,642 thousand), CANCOM NSG GmbH (€ 3,692 thousand; 2011: € 3,692 thousand), CANCOM physical infrastructure GmbH (€ 150 thousand; 2011: € 150 thousand) and a joint guarantee of € 200 thousand (2011: € 200 thousand) for CANCOM IT Solutions GmbH, CANCOM physical infrastructure GmbH, CANCOM NSG GIS GmbH, CANCOM NSG SCS GmbH, CANCOM NSG ICP GmbH, acentrix GmbH and CANCOM cloud solutions GmbH.

In 2011 there was also a guarantee of € 597 thousand for CANCOM Ltd.

	31 Dec. 2012 €'000	31 Dec.2011 €'000
Joint and several liability for financial guarantees and other loans	562	396

Contingent liabilities, which amount to € 562 thousand (2011: 396 thousand) relate entirely to subsidiaries and affiliated companies.

CANCOM SE only enters into contingent liabilities after careful assessment of the risks, and strictly only in respect of its own subsidiaries and affiliated companies, or companies that engage in related business activities. Based on the company's continuous assessment of the risk situation regarding the contingent liabilities it has entered into, and in consideration of its observations up to the time that these financial statements were compiled, CANCOM SE anticipates at present that the commitments on which the contingent liabilities are based can be fulfilled by the principal debtors. CANCOM SE therefore assesses the likelihood of a loss on any of the contingent liabilities listed as remote.

Management

The members of the Executive Board are:

- Klaus Weinmann, graduate in business administration (Dipl.-Kaufmann) Aystetten, Germany (CEO)
- Rudolf Hotter, graduate in business economics (Dipl.-Betriebswirt), Füssen, 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 members of the Executive Board are members of the supervisory boards of other companies:

- Klaus Weinmann:
  - SNP Schneider-Neureither & Partner AG
  - CANCOM NSG GmbH (until 31 March 2012)
  - CANCOM IT Solutions GmbH (since 30 November 2012)
- Rudolf Hotter:
  - CANCOM NSG GmbH (since 1 April 2012)
  - CANCOM IT Solutions GmbH (since 30 November 2012)

Holder of general commercial power of attorney ('Prokura' under German commercial law):

- Thomas Stark, graduate in industrial engineering (Dipl.-Wirtschaftsingenieur), Wittislingen, Germany

		Secured by lien or similar rights	
31 Dec. 2012 €	31 Dec. 2011 €	€	Type
4,800,600.00	12,625,600.00		
2,192,729.41	5,861,707.74	2,000,744.97	Assignment of motor vehicle as security
132,837.84	131,857.02		
321,263.02	529,431.73		
234,506.14	*349,229.85*		
0.00	*0.00*		
7,447,430.27	**19,148,596.49**	**2,000,744.97**	

Supervisory Board

The members of the Supervisory Board are:

- Walter von Szczytnicki, management consultant, Kirchseeon, Germany (Chairperson)
- Stefan Kober, member of the board of management of AL-KO Kober AG, Kötz, Germany (Deputy Chairperson)
- Raymond Kober, member of the board of management of AL-KO Kober AG, Kötz, Germany (until 21 June 2012)
- Walter Krejci, managing director of AURIGA Corporate Finance GmbH, Munich, Germany
- Regina Weinmann, graduate in business administration (Dipl.-Kauffrau), managing director of WFO Vermögensverwaltung GmbH, Aystetten, Germany
- Petra Neureither, graduate in economics (Dipl.-Volkswirtin), managing director of PEN GmbH, Heidelberg, Germany
- Professor Dr Arun Chaudhuri, graduate in industrial engineering (Dipl.-Wirtschaftsingenieur), management consultant, Munich, Germany (since 21 June 2012)

The following members of the Supervisory Board are also members of other supervisory boards:

- Walter von Szczytnicki:
  - AL-KO Kober AG

Transaction with related parties

It was agreed on a profit participation loan (partiarisches Darlehen) in the amount of € 1,000 thousand (current valued at € 500 thousand) with Glanzkinder GmbH. The loan has an agreed term of 9 years. The carrying amount as at the balance sheet date was € 500 thousand. In addition to the fixed interest rate of 2 percent it was agreed on a variable component.

Employees

The average number of employees working for the company during 2012 was 57, including part-time employees but excluding trainees, interns and the members of the Executive Board.

Auditors' fees

The disclosures according to Section 285 no. 17 of the German Commercial Code (Handelsgesetzbuch, HGB) are omitted because they are included in the consolidated financial statements of CANCOM SE.

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 last renewed in December 2012 and then published for the information of the shareholders on the website of CANCOM SE.

Total emoluments paid to the Executive Board and the Supervisory Board

The total emoluments paid to the Executive Board in 2012 amounted to € 1,703 thousand.

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 2012.

Full disclosures in compliance with Section 285, no. 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 2012 amounted to € 252 thousand.

Direct or indirect shareholdings exceeding 10 percent

As at 31 December 2012, the company did not know of any direct or indirect shareholdings exceeding 10 percent of the voting rights.

Parent company

CANCOM SE, Munich, Germany, is the company that prepares the consolidated financial statements. The consolidated financial statements of CANCOM SE are published on the company's website. They are also available on the electronic German Federal Gazette (Bundesanzeiger) at www.bundesanzeiger.de.

Munich, Germany, 12 March 2013

Klaus Weinmann   Rudolf Hotter

Member of the Executive Board of CANCOM SE

STATEMENT OF SHAREHOLDINGS IN COMPANIES

Name and legal seat of the companyName, Sitz der Gesellschaft	Shareholding as a percentage	Equity capital as at 31 Dec. 2012 €'000	Net income for 2012 €'000
Shares in subsidiaries and affiliated companies			
1. CANCOM Deutschland GmbH, Jettingen-Scheppach, Germany	100.0	5,933	0 *
2. CANCOM NSG GmbH, Munich, Germany	100.0	3,261	0 *
3. CANCOM IT Solutions GmbH, Munich, Germany	100.0	10,479	3,692
4. CANCOM physical infrastructure GmbH, Jettingen-Scheppach, Germany	100.0	304	400
5. acentrix GmbH, Jettingen-Scheppach, Germany	51.0 C)	150	109
6. CANCOM NSG GIS GmbH, Munich, Germany	100.0 B)	194	150
7. CANCOM NSG SCS GmbH, Munich, Germany	100.0 B)	123	79
8. CANCOM NSG ICP GmbH, Munich, Germany	100.0 B)	429	374
9. CANCOM cloud solutions GmbH, Munich, Germany	100.0	438	350
10. Glanzkinder GmbH, Cologne, Germany	49.0	25	-27
11. CANCOM Unicorner GmbH, Jettingen-Scheppach , Germany	100.0	343 2)	53
12. CANCOM Financial Services GmbH, Jettingen-Scheppach, Germany	100.0	95	1
13. CANCOM VVM GmbH, Jettingen-Scheppach, Germany	100.0	24	0
14. CANCOM Computersysteme GmbH, Graz-Thondorf, Austria	100.0 A)	1,337	-37
15. CANCOM a+d IT solutions GmbH, Perchtoldsdorf, Austria	100.0 D)	1,030	-219
16. CANCOM (Switzerland) AG, Caslano, Switzerland	100.0 A)	0 1)	0
		24,165	**4,925**

A Indirect shareholding through CANCOM Deutschland GmbH

B) Indirect shareholding through CANCOM NSG GmbH

C) Indirect holding through CANCOM IT Solutions GmbH

D) Indirect holding through CANCOM Computersysteme GmbH

1) Converted at the reporting date CHF 1 = EUR 1.21

2) Profit for the year in abbreviated financial year (1 July to 31 December 2012)

* Profit transfer agreement with CANCOM SE

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.

Munich, Germany, 12 March 2013

Klaus Weinmann Rudolf Hotter

Executive Board of CANCOM SE

Auditors' report

We have audited the annual financial statements (consisting of the balance sheet, income statement and notes to the accounts) of CANCOM SE (formerly CANCOM AG), Munich, Germany, including the accounts and combined management report of CANCOM SE and the CANCOM Group for the financial year from 1 January to 31 December 2012. 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 combined management report of CANCOM SE and the CANCOM Group.

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 combined management report of CANCOM SE and the CANCOM Group, 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 combined management report of CANCOM SE and the CANCOM 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 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 combined management report of CANCOM SE and the CANCOM Group 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, 12 March 2013

S&P GmbH
Wirtschaftsprüfungsgesellschaft

Ulrich Stauber	Johann Dieminger
Certified auditor	Certified auditor

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CANCOM SE financial calendar

IMPORTANT DATES

Interim report Q1/2013	15. May 2013
Annual General Meeting in Munich, Germany Location: Haus der Bayerischen Wirtschaft Max-Joseph-Straße 5 80333 Munich, Germany	18. June 2013
Interim report Q2/2013	13. August 2013
Interim report Q3/2013	08. November 2013
Analysts' Conference at 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	12.-13. November 2013

Note:
The German Securities Trading Act (Section 15 of the German Securities Trading Act - Wertpapierhandelsgesetz, WpHG) obligates issuers to publish immediately all information with a considerable potential to influence the share price. For that reason we might publish our financial reports before the fixed dates listed above.

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