2013

ANNUAL REPORT
CANCOM SE

CANCOM

Key figures

CANCOM GROUP (IN € MILLION)

	2013	2012	2011	2010	2009
Revenues	613.8	558.1	544.4	474.6	348.3
Gross profit	186.5	166.2	159.3	142.9	110.5
Consolidated EBITDA	33.4	28.1	25.0	19.0	9.5
EBITDA margin in %	5.4 %	5.0 %	4.6 %	4.0 %	2.7 %
Consolidated EBIT	22.6	20.7	18.5	15.2	7.1
Net income for the period after minorities	14.5	11.5	11.5	7.8	5.1
Earnings per share from continuing operations in €	1.23 €	1.15 €	1.14 €	0.92 €	0.48 €
Adjusted number of stocks (in 1,000) (diluted)	11,766	10,570	10,391	10,321	10,387
Balance sheet total	321.5	208.6	194.9	177.4	134.9
Equity	162.9	80.8	60.9	51.0	43.9
Equity ration in %	50.7 %	38.7 %	31.2 %	28.7 %	32.5 %
Cash and cash equivalents as of December 31	77.7	44.6	44.4	31.5	25.8
Employees as of December 31	2,360	2,076	2,044	1,943	1,740

At a glance

Year	Revenues 2009-2013 (in € million)
2009	348.3
2010	474.6
2011	544.4
2012	558.1
2013	613.8

Year	Gross profit 2009-2013 (in € million)
2009	110.5
2010	142.9
2011	159.3
2012	166.2
2013	186.5

Year	EBITDA 2009-2013 (in € million)
2009	9.5
2010	19.0
2011	25.0
2012	28.1
2013	33.4

Year	Earnings per share 2009-2013 (in €)
2009	0.48
2010	0.92
2011	1.14
2012	1.15
2013	1.23

EBITDA magin	2009	2010	2011	2012	2013
	2.7 %	4.0 %	4.6 %	5.0 %	5.4 %

speed

up

THE MOMENTUM GAINED IN

2013

WILL MOTIVATE US TO MEET THE CHALLENGES OF

2014

The IT world is changing

Cloud computing, mobility und the consumerization of IT are surely the most important trends of our day, and they demonstrate the way in which companies and users work with IT. Users now have more choice and flexibility in the technology they use every day, from easy-to-use mobile devices and highly efficient computers to the social networks on which they interact with each other. The more people use this technology in their professional lives, the more the boundary between work and personal life becomes blurred and the productivity of employees rises. At the same time, more is being required of company IT departments, and not only in terms of security. Mobility has become particularly important, in addition to workplace flexibility in terms of hours and location, and the choice of terminal device. It is therefore a major driver of the transition to the cloud way of computing for company IT departments.

The workplace of the future is standardized, yet offers individual freedom.

In many places, the future has already begun. Nowadays, work takes place in a globalized knowledge-based informed society that requires a large degree of flexibility, mobility, cooperation and communication. The workplace of the future is therefore no longer found only in offices, but increasingly – with the use of notebooks, smartphones and tablet PCs – in employees' pockets. Moreover the devices are often owned by the employees themselves. Companies are mainly concerned with the infrastructure behind these versatile mobile solutions.

Cloud computing is a crucial factor in the model for tomorrow's workplace, because it provides secure access to company data and applications at any time and in any place, on any device. But above all, cloud computing offers new opportunities, and it is changing business models.

In future, the Internet will connect not only people, but things.

Remotely-controllable lamps, power sockets and heaters are the forerunners of the Internet of Things – a term that describes the linking of objects and appliances with the Internet by means of sensors and microchips in order to analyze data and control appliances, generally via mobile devices such as smartphones or tablet computers. Like people, companies and organizations, they will have an IP address and communicate with each other: cars, washing machines, refrigerators, traffic lights and machinery. The Internet of Things will change the world. It is the next big growth phase of the Web. It is the future of the present.

What the mobilization of the Internet can do is demonstrated by several areas of application. There is huge potential in the *smart home* for consumer electronics or networkable household appliances. But in business there are even more examples of how it can be put to use. Data glasses, or *smart glasses*, are used as a cloud solution in warehouse logistics, healthcare and medicine.

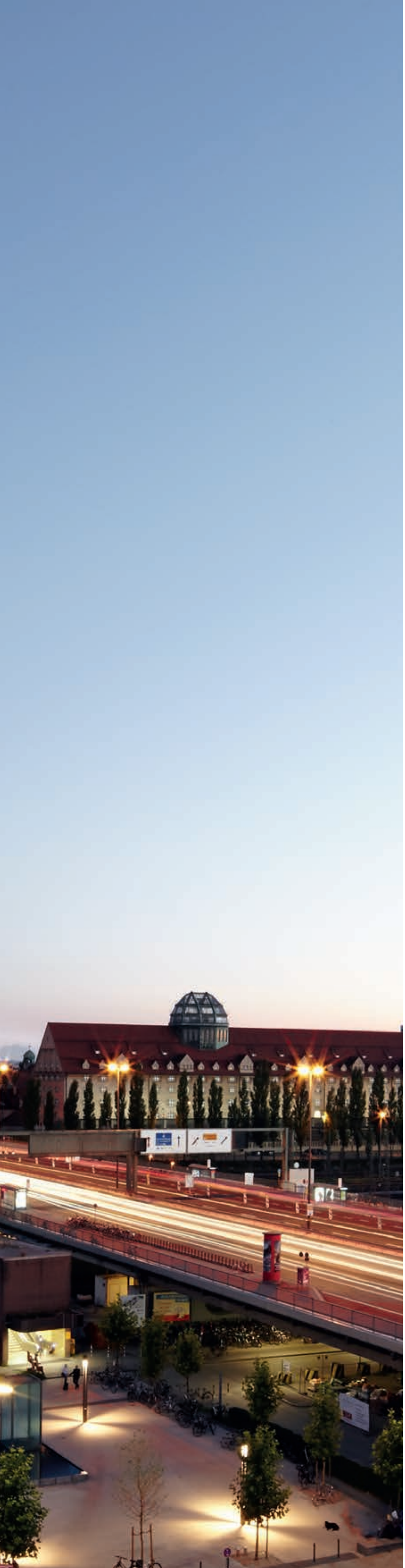
The Cloud Way of Computing

The cloud stands for optimization, efficiency, storage and data security, but above all it stands for innovation. It offers companies new opportunities for growth.

IT helps to simplify production processes and streamline supply chains. But it also generates new products and services – it is becoming the fourth factor of production for companies. In future, IT investment will increasingly be dictated by individual departments, for instance sales and distribution or marketing. With the rapid rise of mobile devices, Internet devices and social networks, the amount of data on the Internet is exploding. It contains a huge treasury of information that can be accessed by making the data analyzable and usable. IT offers companies completely new opportunities to get to know and understand their customers and thus increase their own revenues and profits.

Markets are changing more rapidly now than in the past, while IT is becoming increasingly complex. However, there has seldom been a greater opportunity to stand out from the competition through innovations in IT. To do this, companies need intelligent, cloud-based IT infrastructure, but also the necessary guidance and a partner to help them in their transition to the cloud.


CANCOM



Leading Cloud Transformation Partner

CANCOM leads as IT and business transformation partner towards the cloud way of computing by analysis, consulting, integration and services.

Companies of all sizes and from all sectors find answers to their individual business requirements in CANCOM's high level of service quality and extensive project experience. Working with our customers, we draw up plans and establish measures to enable them to use IT to overcome the future changes and challenges of their market and enter new areas of business. As IT architect, systems integrator and managed services provider with our forward-looking, business-oriented solutions portfolio we provide considerable added value for the sustained business success of our customers.

Key elements of the CANCOM portfolio are the cloud as a central IT architecture, and the focus on the workplace of the future. We prepare the cloud way of computing in our customers' companies by means of scalable cloud and managed services and our CANCOM Business Cloud, an individually adaptable solution for modern enterprise workplaces out of the private cloud.

Experton Group, the market research institute, presented CANCOM with its Cloud Leader award for 2013 for its attractive portfolio and its competitive strength.

„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."

speed

is a

currency

Marc Benioff, CEO Salesforce.com, November 2013 speed up

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Dear Stockholders,

The year 2013 was a good one for CANCOM, with significant progress and landmark events. We have succeeded in further consolidating our position in growth markets such as cloud computing and IT mobility, both through our operating success and through acquisitions. We have also created the equity base to grow the company further in the current fiscal year.

The figures for the past year clearly demonstrate the speed and intensity of the transition into the era of cloud computing. The storms raging on the IT oceans have turned out to be much more severe than most people expected. Over the past few years, CANCOM has been pursuing the right course to enable us to take full advantage of the wind in our sails now. And in 2014, of course, we will continue the rapid expansion of the entire group's business.

The cloud way of computing has brought about more fundamental change in the IT world than any other trend. Cloud computing is driven by the way people in today's world work, obtain information and communicate with each other, in both their personal and professional lives, with a wide range of mostly mobile devices. With the increasing change brought to our lives by the digital era, the question is no longer whether companies want to make the transition to cloud computing to remain competitive, but when and how they will do so. For IT service providers like CANCOM, which are in a position to provide cloud services, they present an opportunity for huge profits.

CANCOM is now probably the most successful of all German integrated systems providers in the business of helping companies make the transition to cloud computing. In the spring, the technology analysts at Experton Group awarded us the title of Cloud Leader 2013 for our comprehensive and sophisticated cloud solutions portfolio. We were also awarded the Cloud Builder of the Year by Cisco, in recognition of our expertise and our many years of experience in setting up cloud-ready IT environments.

Following CANCOM's acquisition of the Pironet NDH group, we now have a comprehensive cloud portfolio for small and medium-sized enterprises. This includes end-to-end service level agreements (SLAs), which enable customers to obtain from one source all the systems and services integrated into the service chain. With our own cloud hosting data center at Pironet NDH, as well as CANCOM's cloud architecture, we are able to offer our customers the German Business Cloud.

The capital markets also were impressed by the visible success of the company, as well as by the potential for growth that our business model presents. As a result, CANCOM's stock price rose steadily throughout the year, and even accelerated in the last quarter. Investors' great confidence in CANCOM enabled us to carry out another capital increase, which has allowed a further considerable improvement in the group's equity structure, as well as refinancing the acquisition of Pironet NDH AG. 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.

Finally, we would like to thank our employees for their commitment, and our customers, business partners and you, our stockholders and investors, for your loyalty and confidence.

The management and all of our employees work with great motivation and passion for our company's success. We look forward to the challenges that financial 2014 brings.

The Executive Board of CANCOM SE

Klaus Weinmann
Chief Executive Officer

Rudolf Hotter
Chief Operating Officer

Report of the Supervisory Board

Dear Stockholders,

After a very successful fiscal year in which the CANCOM group achieved record results for the second consecutive year, the Supervisory Board offers its congratulations and thanks to the Executive Board and all the employees. The basis for the future growth of the group was consolidated and reinforced in the fiscal year 2013, with sales revenues of €613.8 million and consolidated profits of € 14.5 million. The members of the Supervisory Board have guided CANCOM and are proud to be a part of this success story, which started more than 21 years ago. We would also like to thank the stockholders of CANCOM for their confidence in the company.

As the group has generated good, sustainable profits, the management has decided to propose to the general meeting of stockholders that a dividend be paid again this year. It is proposed that a dividend of 40 euro cent per share be paid to stockholders, compared with 35 euro cent in 2012. It is felt that this supports the company's growth strategy appropriately.

Composition of the Supervisory Board and the Executive Board

There were no changes in the membership of the Executive Board of CANCOM SE during the fiscal year 2013. The members of the Executive Board are CEO Klaus Weinmann and Rudolf Hotter. The contracts of the Executive Board members provide for a term of office until December 31, 2017.

The members of the Supervisory Board of CANCOM SE elected by the extraordinary general meeting of stockholders on December 18, 2012 were Walter von Szczytnicki (Chairperson), Stefan Kober (Deputy Chairperson), Regina Weinmann, Petra Neureither, Walter Krejci and Professor Dr. Arun Chaudhuri, who gave notice of his resignation from his post on March 12, 2013 with effect from the end of the general meeting of stockholders on June 18, 2013. Professor Dr. Arun Chaudhuri was succeeded, in a by-election, by Dr. Lothar Koniarski, who joined the Supervisory Board with effect from June 18, 2013 until the end of the term of office of the CANCOM SE Supervisory Board. Petra Neureither resigned from the Supervisory Board on September 6, 2013 with effect from October 4, 2013. At the end of its term of office, a new Supervisory Board of CANCOM SE consisting of six members will be elected by the general meeting of stockholders on June 25, 2014, in line with the company's by-laws. The Supervisory Board thanks Professor Dr. Arun Chaudhuri and Petra Neureither for their positive input. It has been a pleasure to work with them.

General notes on the work of the Supervisory Board

The Supervisory Board carried out the tasks set by law, the company's by-laws and the rules of procedure in the fiscal year 2013. In order to do this, it held four regular meetings and one extraordinary meeting. With the exception of the September meeting, the meetings were attended by all of the incumbent Supervisory Board members, either in person or via video or telephone conference. The meetings were held on March 12, May 6, June 18, September 19 and December 10, 2013.

As part of their usual close cooperation, the Executive Board and the Supervisory Board had regular meetings together. The Executive Board also used a combination of written correspondence, phone calls and face-to-face discussions to inform the Supervisory Board promptly of any matters arising. This meant that the Supervisory Board was updated regularly on the company's situation and its prospects, 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 the inspection and control tasks required by law and the company's by-laws with great care in 2013. 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 company's by-laws 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.

Committees

To help it to perform its function, the Supervisory Board formed two committees. One is an Audit Committee, whose members were Walter von Szczytnicki, Petra Neureither (Chairperson) and Professor Dr. Arun Chaudhuri (Deputy Chairperson). Following the resignation of Professor Dr. Arun Chaudhuri and Petra Neureither, the seats on the Audit Committee were filled by other Supervisory Board members. The Audit Committee now comprises Stefan Kober (Chairperson), Walter Szczytnicki (Deputy Chairperson) and Dr. Lothar Koniarski.

Stefan Kober was appointed as the Supervisory Board's independent financial expert in line with Section 100, paragraph 5 of the German Stock Companies Act (Aktiengesetz, AktG).
The Audit Committee met on March 12, 2013.

The other committee is a Nominating Committee, which comprises Walter von Szczytnicki (Chairperson), Stefan Kober (Deputy Chairperson) and Regina Weinmann. The Nominating Committee held meetings by conference call on February 27 and September 10, 2013.

The main focus of the Supervisory Board's activities

Owing, among other things, to the increasing digitization and linking of people's professional and personal lives, the IT sector will continue to face great challenges and profound change globally. This trend 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 line with Section 90, paragraph 1, numbers 2 and 3 of the German Stock Companies Act on the course of business, including presentation of the latest monthly reports of CANCOM SE 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 and the consolidated financial statements were approved by the Supervisory Board at its meeting on March 12, 2013. The Supervisory Board discussed the annual report for 2012, particularly the corporate governance report included in it.
- In the extraordinary meeting on May 6, 2013, one of the subjects of the Supervisory Board's discussion were the first-quarter figures of the CANCOM group and the announcement by Schick GmbH that it now holds a 10 percent interest in the company. The Supervisory Board also approved the establishment of a company in the U.S.A.
- The Supervisory Board meeting on June 18, 2013 included a presentation on and discussion of potential acquisitions.
- In its meeting on September 19, 2013, the Supervisory Board approved the acquisition of on line Datensysteme GmbH, based in Berlin, Germany.
- A resolution was passed in writing on October 5, 2013, in which the Supervisory Board approved the issuing of new stocks against contributions in kind, in connection with the purchase of on line Datensysteme GmbH.
- In a conference call on September 27, 2013, the Executive Board informed the Supervisory Board of its plan to acquire Pironet NDH AG, based in Cologne, Germany. The Executive and Supervisory Boards discussed the issue at length. The Supervisory Board approved in writing on October 7, 2013 the acquisition of up to 29.9 percent of the stocks of Pironet NDH AG at € 4.50 per stock.
- The Supervisory Board passed a resolution in writing on October 10, 2013, authorizing the Executive Board to submit a voluntary takeover offer to Pironet NDH AG. The Supervisory Board also approved a proposal to increase the capital stock by issuing new stocks against cash contributions.
- On November 15, 2013, the Supervisory Board passed a resolution in writing on the details of the cash capital increase, the proceeds of which were to be used primarily to finance the voluntary takeover offer to the stockholders of Pironet NDH AG, but also to fund the further growth of the CANCOM group.
- At the meeting on December 10, 2013, the business plan for 2014 was approved following a presentation by the Executive Board on the group strategy. The Executive Board also informed the Supervisory Board on the status of the takeover process for Pironet NDH AG. To achieve the desired majority interest in Pironet NDH AG, the Supervisory Board authorized the Executive Board to increase the offer price to up to € 4.80. Another item on the agenda was the report on CANCOM SE's system of internal audit and risk and compliance management. The Supervisory Board discussed the extent to which the recommendations of the latest version of the German Corporate Governance Code were applicable to CANCOM SE, 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. The Supervisory Board also decided at the meeting to grant sole power of representation to the members of the Executive Board.

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 latest version of the German Corporate Governance Code. In its meeting on December 10, 2013, the Supervisory Board also covered the relevant recommendations of the German Corporate Governance Code, as amended on May 13, 2013. In the past fiscal year, CANCOM complied with all of the recommendations of the Code. In their meeting on December 10, 2013, therefore, the Executive Board and the Supervisory Board resolved to issue a declaration of conformity pursuant to 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 versions of May 15, 2012 and May 13, 2013. The company's corporate governance guidelines are presented in detail on pages 45 to 50 of the corporate governance report.

Annual financial statements of CANCOM SE and the CANCOM group for 2013

The annual financial statements prepared by the Executive Board for CANCOM SE and the CANCOM group for the year ended December 31, 2013, and the combined management report for the group and the company were available for examination at the Supervisory Board meeting on March 18, 2014. The Audit Committee of the Supervisory Board held a meeting on March 18, 2014, in which it dealt with the financial statements and the combined management report for CANCOM SE and the CANCOM 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 stockholders 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 stockholders. 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 March 18, 2014, 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. In accordance with Section 172 of the German Stock Companies Act (Aktiengesetz, AktG) it approved the annual financial statements prepared by the Executive Board.

Munich, Germany, March 2014

On behalf of the Supervisory Board

Walter von Szczytnicki
Chairperson of the Supervisory Board


CANCOM

The CANCOM stock

German equity market performance

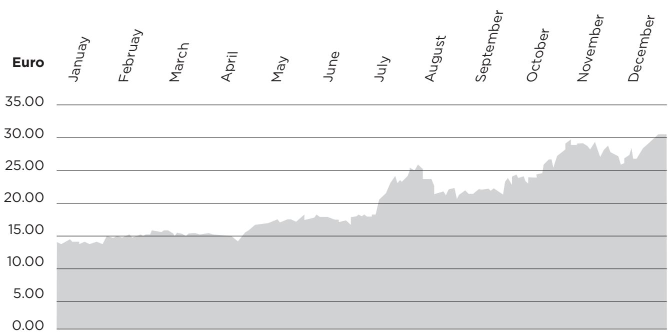
The blue-chip index of Deutsche Börse, DAX, set new records in 2013. It ended the year more than 25 percent higher than at the end of the previous year. Prices were probably driven up by low interest rates and the purchase of sovereign bonds and securities by central banks. Cash was invested on the stock exchanges, where many companies, with their fundamental strength and sizable dividends, provided attractive returns for investors. Also, the sovereign debt crisis in the eurozone eased, giving prices an additional boost. The DAX reached its high for the year 2013 in December, at 9,589.39 points. The technology index of Deutsche Börse, TecDAX, gained more than 324 points during the year, and closed up around 38 percent at 1,166.82 points.

CANCOM stock price performance

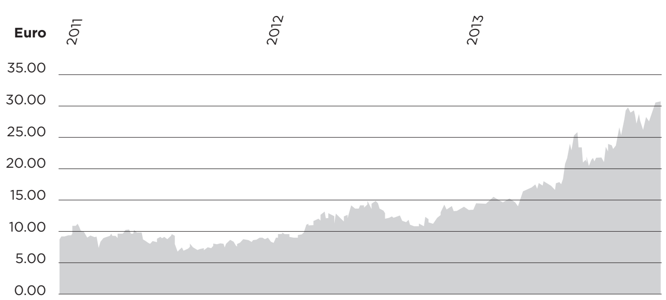
The positive stock market environment also stimulated the CANCOM stock. It started the year at € 13.50, and its price rose steadily until the start of August, when it reached € 26.00. After a brief setback, when it fell to € 19.80, it recovered quickly and rose until the end of the year, when it peaked at € 30.80. Over the year, the CANCOM stock gained 135.66 percent, making it one of the three best-performing stocks on the TecDAX in 2013.

In Deutsche Börse's TecDAX ranking, CANCOM is placed 21st in terms of market capitalization as at December 31, 2013, compared with 31st place as at December 31, 2012. Measured by trading volume, CANCOM is ranked 15th, up from 27th place in 2012.

Share Performance January – December 2013



Share Performance 2011 – 2013



TRADING STATISTICS ON THE CANCOM STOCK

		2013	2012
Price at start of year	€	13.50	9.11
Price at end of year	€	30.80	13.49
Peak	€	30.80	15.13
Low	€	19.80	8.46
Performance – absolute	€	+17.30	+4.38
Performance – relative	%	+128.15	+48.08
Market capitalization at year-end	Mio. €	449.7	153.8
Average turnover per trading day (in units)	piece	114,676	69,078
Average turnover per trading day (in euros)	€	2,571,854	841,965
Earnings per share	€	1.23	1.15

Closing price Xetra trading system

* all German Stock exchanges

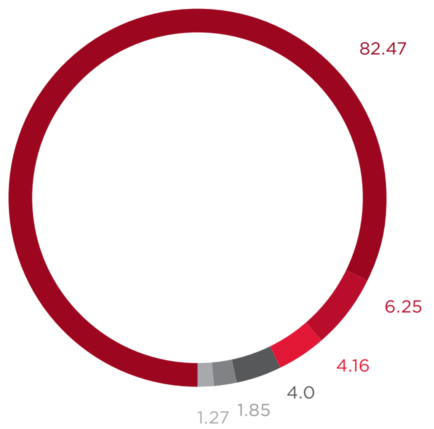
RESEARCH-COVERAGE

Deutsche Bank AG
Hauck & Aufhäuser Research GmbH
Warburg Research

Stockholder structure

The stockholder base was expanded in the past fiscal year, with the number of stockholders in countries other than Germany considerably increased. Among other things, this was due to the roadshow activities undertaken in Germany and other countries, as well as the capital increase at the end of 2013.

SHAREHOLDER STRUCTURE AS AT 31 DECEMBER 2013 (%)



Freefloat	82.47 %
Allianz Global Investors Europe GmbH*	6.25 %
Allianz Global Investors Luxembourg S.A.*	4.16 %
Heiko Sauer	4.00 %
Stefan Kober	1.85 %
Klaus Weinmann	1.27 %

* according to the most recent voting rights announcement received

Dividends

CANCOM's aim is to pursue a consistent dividend policy. After the record results in the fiscal year 2013 and in view of the company's good cash position, the Executive and Supervisory Boards will propose to the general meeting of stockholders that the dividend be increased by 5 euro cent to 40 euro cent per stock. This represents a dividend ratio of approximately 32.5 percent of the consolidated after-tax profit, compared with 30 percent in 2012, 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 December 31, 2013, the number of stocks with dividend rights was 14,615,791. The total dividend payment for the fiscal year 2013 is therefore € 5.8 million.

General meeting of stockholders

The ordinary general meeting of stockholders of CANCOM SE took place on June 18, 2013 at the Haus der Bayerischen Wirtschaft conference centre in Munich, Germany. The Executive Board and the Supervisory Board of the company welcomed around 120 stockholders and their proxies, who together represented 46.01 percent of the capital stock. Over 98 percent of stockholders present were in agreement on all agenda items, demonstrating the high level of confidence in CANCOM's management.

Investor and public relations – communication with the capital market

Active, open and transparent financial communication is of central importance to CANCOM.

Maintaining an extensive, up-to-date website is very important to CANCOM, as is keeping in personal contact with stockholders, investors and analysts, as well as business and specialist media.

In the fiscal year 2013, CANCOM had

more than **115 personal discussions** on around **20 days**

in total at national and international roadshows, investor conferences, numerous capital market events, meetings and on the phone.

Latest information about the CANCOM stock can be found on our website under the heading Investor Relations.

Key CANCOM stock data

Stock exchange symbol	COK
ISIN / WKN (German securities code)	DE0005419105 / 541910
Stock exchange segment	Prime Standard
Indices	TecDAX, HDAX, CDAX, Midcap Market, Technology All Share, Prime All Share, DAX International 100, DAXsector All Software, DAXsector Software, DAXsubsector All IT-Services, DAXsubsector IT Services, DAXsupersector Information Technology
Designated sponsor	ICF Kursmakler AG, Close Brother Seydler Bank AG
Number of stocks at December 31, 2013	14,615,791
Type of stocks	No-par-value common bearer stocks

Combined management report for CANCOM SE and the CANCOM group

for the fiscal year from January 1 to December 31, 2013

1. Fundamental information about the group

The CANCOM group is one of the leading providers of IT infrastructure in Germany and Austria. With its decentralized 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 stockholders on December 18, 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 February 28, 2013. CANCOM SE will be referred to in this report as 'CANCOM'.

Business areas

The e-commerce business segment comprises CANCOM GmbH, CANCOM Computersysteme GmbH, CANCOM a+d IT solutions GmbH and CANCOM (Switzerland) AG, with the exception of the cost centers of CANCOM GmbH allocated to the IT solutions segment. This business segment primarily includes the group's transaction-based and product-related business via Internet, catalog, telesales and direct sales.

The IT solutions segment comprises CANCOM NSG GmbH, CANCOM NSG GIS GmbH, CANCOM NSG SCS GmbH, CANCOM NSG ICP GmbH, on line Datensysteme GmbH, CANCOM physical infrastructure GmbH, acentrix GmbH, Glanzkinder GmbH, CANCOM GES Gesellschaft für elektronische Systeme mbH, CANCOM Inc., Verioplan GmbH and the cost centers of CANCOM GmbH allocated to the IT solutions segment. 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.

The acquisition of subsidiaries in the fiscal year 2013, as well as during the period between the reporting date and the time of writing this management report, has resulted in a change in the reporting entity in 2014. The IT solutions business segment has been expanded further as a result.

Group structure

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

Focus of activities and sales markets

The CANCOM group is one of the three largest independent integrated IT 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 well-known 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 client base therefore mainly includes commercial end-users, from small and medium enterprises to large enterprises and groups, as well as public-sector clients. Geographically, CANCOM's business activities are primarily concentrated in Germany, Austria and Switzerland.

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Competitive position

According to the Federal Statistical Office of Germany, there are currently around 80,000 information technology (IT) companies operating in the German market. However, they vary greatly in terms of their size and the range of services they offer. Only about 20 of these companies (software and services companies) have a turnover of more than € 250 million, and CANCOM is one of them.

Measured by domestic sales revenues, CANCOM is the third-largest independent provider of integrated IT systems in Germany, according to a ranking by trade journal ChannelPartner.

According to the German Association of the Information Industry, Telecommunications and New Media (BITKOM), the total volume of the German IT market in 2013 was € 74.7 billion. This means that, with annual sales revenues of € 613.4 million, the CANCOM group currently has a market share of around 1 percent. The three largest German integrated IT systems providers in the ChannelPartner ranking have a market share of around 5 percent between them. The remaining market share is held by technology manufacturers as well as small and medium-sized, mainly regional, enterprises. This reflects the very fragmented nature of the German IT market.

Explanation of the control system used within the group

To control and monitor the performance of the individual subsidiaries, CANCOM analyzes 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, virtualization, mobile solutions, IT security and managed services. Development work is limited in scope and is mainly used for the group's own purposes.

Cloud computing offers enormous benefits for companies and their IT departments, as well as 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 successfully during the fiscal year 2013 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. During 2013 there were also developments in the online/e-procurement segment, as well as in app programming for mobile business applications.

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 clients the advantages of state-of-the-art, energy-efficient data centers, which bring not only ecological benefits, but also considerable savings on a company's energy costs. CANCOM's use of advanced, intelligent systems for communications and collaborations (for instance, video conferencing) also enables resources to be conserved. The resulting reduction in travel by employees leads to lower CO_2 emissions, in addition to benefits such as process optimization and considerable cost savings.

2. Economic report

The general economic situation

The German economy experienced slight growth in 2013, in a difficult international environment. Overall, it grew by just 0.4 percent, compared with 0.7 percent in 2012. Strong private consumption, in particular, saved the domestic economy from an even sharper decline in the rate of growth, while exports - traditionally a powerful engine of economic growth - fell for the first time since the recession in 2009. The level of investment among companies was still low, which also did little to stimulate the economy. Nevertheless, Germany was the frontrunner in Europe in terms of economic growth. In the fourth quarter, German economic output was up 0.4 percent on the previous quarter.

Gross domestic product in 2013*
(real change compared with 2012, as a percentage)

Germany	+ 0.4
Eurozone	- 0.4
USA	+ 1.8
World	+ 2.8

* Forecast: Deutsche Bank Economic Research, 23 December 2013.

Inflation over the year 2013 as a whole was lower than in 2012, at 1.5 percent compared with 2.0 percent.

The European Central Bank (ECB) reduced the key interest rate for the eurozone from 0.75 to 0.50 percent in May 2013. In November, the rate was reduced again to 0.25 percent, bringing it to a historic record low. The US Federal Reserve Bank (Fed) has kept the prime rate between zero and 0.25 percent since December 2008.

The unemployment rate in Germany rose by 0.1 percent to 6.9 percent in 2013, according to information published by the German Federal Employment Agency.

The performance of the information technology sector

Overall, the year 2013 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 2.0 percent in 2013.

Within the IT sector, the hardware segment contracted by 1.1 percent, while the software segment grew by 4.9 percent and the IT services segment by 2.4 percent.

Performance of the German IT market in 2013**
(real change compared with 2012, as a percentage)

IT market as a whole	+ 2.0
Hardware	- 1.1
Software	+ 4.9
Services	+ 2.4

** Forecast: BITKOM, Oktober 2013

The impact on the CANCOM group

In the fiscal year 2012, the Executive Board of CANCOM forecast good growth in sales revenues and profits and a continuation of the positive financial situation in 2013. The CANCOM group‘s growth outstripped that of the German IT market and of the German economy as a whole in 2013. Consolidated sales revenues were up 10 percent in comparison with 2012, and consolidated EBITDA was up 18.9 percent. The strong services business in the private cloud environment had a particularly positive impact on profits.

We consider the financial position as at the reporting date was good, as the company has a comfortable level of cash and cash equivalents, a high cash flow and easily available credit facilities. Overall, we feel the expected increase in sales revenues and profits in the fiscal year 2013 was achieved.

Significant events and investments

CANCOM regularly optimizes 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 fiscal year 2013:

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

- CANCOM has acquired all of the stocks in GES Gesellschaft für elektronische Systeme mbH, based in the German town of Ingelfingen near Künzelsau. The transaction is documented in a contract of sale dated March 13, 2013. The acquisition expands CANCOM's expertise in the high-growth unified communications and collaboration (UCC) solutions market. GES specializes in IT network and security solutions, particularly UCC services.

- CANCOM IT Solutions GmbH and CANCOM cloud solutions GmbH have been merged into CANCOM Deutschland GmbH (trading as CANCOM GmbH since the merger was registered in the commercial register on April 23, 2013). The mergers are documented in notarized agreements dated April 10, 2013.

- On May 21, 2013, CANCOM SE established a subsidiary by the name of CANCOM, Inc. in Palo Alto, California. The objective of the new company is to identify IT trends at an early stage and so develop new products and solutions. In addition, CANCOM wants to analyze market opportunities in the cloud computing environment in the U.S.A. and possibly carry out acquisitions on the U.S. market via this subsidiary.

- CANCOM SE has purchased all the stocks of on line Datensysteme GmbH, based in Berlin, Germany. The acquisition is documented in a notarized agreement dated September 30, 2013. on line Datensysteme GmbH is a solutions-based integrated IT systems provider primarily operating in Germany. It has been a public sector partner for many years. CANCOM's aim in acquiring the company is to create synergies and also to consolidate its own market position in northern Germany. In addition, the acquisition provides an opportunity for the CANCOM group to increase its business with public-sector clients.

- CANCOM SE has increased its capital stock against non-cash contributions. The purpose of the capital increase was to finance the acquisition of on line Datensysteme GmbH based in Berlin, Germany, and it was recorded in the commercial register on October 28, 2013. Part of the Authorized Capital 2010-I was used to increase the capital stock from € 11,429,826 to € 12,179,826 by issuing 750,000 new no-par-value bearer stocks. There was no subscription right for existing stockholders. The total issue price of the new stocks was € 16,642,250. All of the stocks were issued to former stockholders of on line Datensysteme GmbH. In return, the latter transferred all their stocks in on line Datensysteme GmbH to CANCOM SE as a non-cash contribution.

- On October 10, 2013, the Executive Board and Supervisory Board of CANCOM SE passed a resolution to make a voluntary public takeover offer to all stockholders of Pironet NDH Aktiengesellschaft at € 4.50 per stock in cash. Based in Cologne, Germany, Pironet NDH AG is the parent company of a group of IT companies specializing in the cloud computing and content management business segments. The company provides IT resources and business applications as cloud services from its data centers in Germany. The portfolio of services offered by the group also includes planning, integration and operation of local private cloud and IT solutions at client locations.

- CANCOM SE has increased its capital stock against cash. Most of the funds received from the capital increase were used to finance the voluntary takeover offer to the stockholders of Pironet NDH Aktiengesellschaft. The remainder of the funds will support the further growth of the CANCOM group. On November 15, 2013, the Executive Board obtained the agreement of the Supervisory Board to increase the company's capital stock against cash by a maximum of € 2,435,965, from € 12,179,826 to a maximum total of € 14,615,791, by issuing up to 2,435,965 new no-par-value bearer stocks, with each stock representing the accounting par value of € 1 of the capital stock. Stockholders were granted an indirect subscription right. The capital stock was increased by the full amount of € 2,435,965 (equivalent to 2,435,965 new stocks) and the increase was recorded in the commercial register on December 9, 2013. The net proceeds of the capital increase amounted to approximately € 54.6 million.

- On December 17, 2013, CANCOM SE bought further stocks in Pironet NDH Aktiengesellschaft in an off-exchange transaction unconnected to the takeover offer. The acquisition increased the price quoted in the offer for stockholders of Pironet NDH Aktiengesellschaft who took up the offer during the acceptance period or the additional acceptance period, from € 4.50 to € 4.80 per Pironet stock.

Employees

CANCOM employed an average of 2,226 people in the fiscal year 2013, compared with 2,040 in 2012. As at December 31, 2013, the group had 2,360 staff members, compared with 2,076 staff members in 2012.

Number of employees in the CANCOM group, 2012 – 2013
(as at December 31)

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

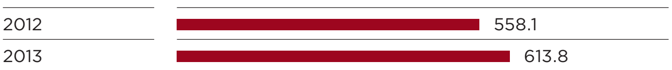
	2013	2012
Professional services	1,634	1,427
Sales and distribution	396	354
Central services	330	295

Earnings, financial and assets position of the CANCOM group

a) Earnings position

The sales revenues of the CANCOM group rose from € 558.1 million to € 613.8 million in 2013. This represented growth of 10.0 percent, of which 6.7 percent was organic. The main expansion was in the group's cloud computing solutions and services. Steady demand from clients also contributed to the growth.

CANCOM group sales revenues, 2012 – 2013
(in € million)



Sales revenues in Germany rose by 11.3 percent, from € 529.1 million to € 588.7 million. In international business, the group's sales revenues were down from € 29.0 million to € 25.1 million.

There was a 13.1 percent decrease in sales revenues in the e-commerce business segment, from € 157.6 million in 2012 to € 137.0 million in 2013. In the IT solutions segment, sales revenues were up 19.0 percent, from € 400.5 million to € 476.7 million. Parts of the e-commerce segment have been transferred to the IT solutions segment since 2012. After adjustment to take into account reclassifications or shifts in the segments, the e-commerce segment grew by € 2.2 million in comparison with 2012.

Consolidated gross profits were up by 12.2 percent, from € 166.2 million in 2012 to € 186.5 million in 2013. The gross profit margin improved from 29.8 percent in 2012 to 30.4 percent in 2013, partly owing to the expansion of the services business.

CANCOM group gross profit, 2012 – 2013
(in € million)

In the e-commerce segment, gross profits were down from € 27.8 million in 2012 to € 27.2 million in 2013. In the IT solutions segment, gross profits were up from € 137.2 million to € 159.3 million.

Owing to the expansion of the group's activities in the higher-margin consulting and services business, there has been an increase in personnel expenditure from € 112.4 million in 2012 to € 123.2 million in 2013.

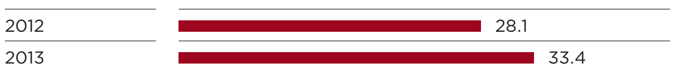
The personnel expenses were as follows (in €'000):

	2013	2012
Wages and salaries	104,927	95,342
Social security contributions	18,036	16,689
Pension provisions	261	332
Total	**123,224**	**112,363**

Other operating expenses rose from € 25.8 million to € 29.9 million.

Consolidated earnings before interest, tax, depreciation and amortization (EBITDA) were up 18.9 percent, from € 28.1 million in 2012 to € 33.4 million in 2013.

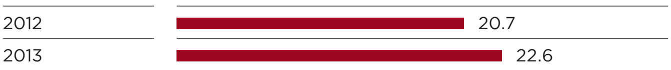
CANCOM group EBITDA, 2012 – 2013
(in € million)



In the e-commerce segment, there was an increase in EBITDA from € 9.1 million in 2012 to € 9.5 million in 2013. In the IT solutions segment, EBITDA was up from € 25.4 million to € 31.4 million.

Consolidated earnings before interest and tax (EBIT) were up by 9.2 percent, from € 20.7 million to € 22.6 million.

CANCOM group EBIT, 2012 – 2013 (in € million)



The group has improved its profits, in terms of their amount as well as their quality and consistency, 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 after deduction of minority interests was € 14.5 million in 2013, in comparison with € 11.5 million in 2012. This resulted in earnings per stock of € 1.23, compared with € 1.15 in 2012.

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. For this reason, the reporting date figures do not give a good indication of the order situation in this segment either.

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 favorable refinancing rates.

Notes on the capital structure

The current liabilities amount to € 134.7 million (2012: € 106.6 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 increase in current liabilities in comparison with 2012 is mainly due to an increase in trade accounts receivable.

The non-current liabilities, which amount to € 23.9 million (2012: € 21.2 million), are liabilities with a residual term of at least one year.

The financing structure shifted further towards long-term financing over the course of the year. The interest-bearing liabilities totaled € 10.7 million, around the same as in 2012. Approximately half of this consisted of long-term debt and about half was capital from profit participation rights and subordinated loans. The current liabilities and the current portion of long-term debt amounted to only € 0.8 million (2012: € 1.3 million).

There was a significant increase in the nominal equity capital during the year to €162.9 million (2012: € 80.8 million), as a result of the capital increases as well as through retention of profits. This resulted in an increase in the equity ratio from 38.7 percent in 2012 to 50.7 percent as at December 31, 2013.

On the assets side, current assets rose from € 146.8 million to € 212.1 million. This was partly due to the € 33.1 million increase in cash and cash equivalents to € 77.7 million as at the reporting date, and partly to the increase in trade receivables from € 88.3 million to € 112.9 million. The latter is due to the expansion of business activities, as well as upfront investments in cloud projects in which, depending on the delivery model, some clients order their entire IT requirements as a cloud service. There was also an increase in inventories from € 8.7 million to € 15.5 million.

Non-current assets were up from € 61.9 million to € 109.3 million. The increase can mainly be seen in the balance sheet under intangible assets (client lists and orders in hand) and goodwill, as well as under financial assets accounted for by the equity method as a result of acquisitions of companies and equity investments. Goodwill was up during the fiscal year 2013 owing to the acquisitions of on line Datensysteme GmbH and CANCOM GES Gesellschaft fur elektronische Systeme mbH. Financial assets accounted for by the equity method relate to the equity investment in Pironet NDH Aktiengesellschaft.

Total assets rose to € 321.5 million, compared with € 208.6 million in 2012.

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, the use of factoring and the higher profits for the year before taxes and minority interests, there was a positive cash flow of € 19.2 million from operating activities in 2013, compared with € 16.1 million in 2012. There was a negative cash flow of € 35.2 million from investing activities, in comparison with a negative cash flow of € 10.6 in 2012. This was particularly as a result of cash outflows connected with the acquisition of stocks in Pironet NDH AG. There was a positive cash flow from financing activities of € 49.1 million, compared with a negative cash flow of € 5.3 million in 2012. This is mainly owing to the cash inflows from the increase in capital stock against cash contributions. Overall, this gave rise to cash and cash equivalents of € 77.7 million, compared with € 44.6 million in 2012.

On balance, the earnings, assets and financial position of the group improved further in the fiscal year 2013.

Earnings, financial and assets position of CANCOM SE

CANCOM SE 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 6.

CANCOM SE generated sales revenues of € 7.8 million in 2013 (2012: € 8.1 million) and its net profit for the year was € 11.9 million (2012: € 7.4 million). This is mainly attributable to income from profit transfer agreements with subsidiaries, which amounted to € 17.6 million, compared with € 11.1 million in 2012.

At € 160.6 million, the total assets as at December 31, 2013 were up by 95.3 percent (2012: € 82.3 million). The equity capital was up 112.9 percent, from € 71.4 million to € 152.0 million. As a result, CANCOM SE's equity ratio rose to 94.6 percent (2012: 86.8 percent).

CANCOM SE carried out two capital increases during the fiscal year 2013, one against cash and one against non-cash contributions. The company's capital stock was increased by a total of € 3,185,965.00, from € 11,429,826.00 divided into 11,429,826 stocks, to € 14,615,791 divided into 14,615,791 stocks.

Cash and cash equivalents as at December 31, 2013 were € 44.7 million, up from 9.0 million in 2012. Net liquidity (cash and cash equivalents less liabilities to banks) was € 42.9 million, compared with € 6.8 million in 2012.

Overall, CANCOM SE's earnings, assets and financial position continued to be very robust in 2013.

3. Information concerning takeovers

The paragraphs below contain the disclosures required under Section 315, paragraph 4 of the German Commercial Code (Handelsgesetzbuch, HGB). For details, please see the notes to the consolidated financial statements and the notes to the financial statements of CANCOM SE.

Capital stock: amount and division

At December 31, 2013, the capital stock of CANCOM SE amounted to € 14,615,791, divided into 14,615,791 notional no-par-value bearer stocks. Each stock represents € 1 of the capital stock. The stocks are evidenced by global certificates, and the stockholders have no claim to the issue of individual physical stock certificates.

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

For details regarding authorized and conditional capital, please see page 88 of the notes to the consolidated accounts.

Purchase and use of the company's own stocks

On June 22, 2010, the general meeting of stockholders of CANCOM authorized the company to purchase a proportion of its own stocks representing up to 10 percent of the capital stock existing on that date, provided that the stocks were purchased on or before June 20, 2015.

According to the resolution, the company can purchase its own stocks, excluding existing stockholders' subscription rights, in order to use them for any legally permissible purpose, particularly the purpose set out in the resolution, or to withdraw them.

At no time may the purchased stocks, together with other treasury stocks 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 capital stock.

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

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

The Executive Board did not make any use of this authorization in the fiscal year 2013.

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 December 31, 2013.

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 (SE). 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 company's by-laws

Changes to the by-laws are governed by Sections 133 and 179 of the German Stock Companies Act (Aktiengesetz, AktG). Any resolution regarding a change to the by-laws must be passed by at least a three-quarters majority vote of the capital stock represented at the general meeting of stockholders. The company's by-laws 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 by-laws of CANCOM SE do not contain any such provision. The general meeting of stockholders 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 by-laws..

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

Please see section 4.1.1. of the remuneration report for details of these agreements.

4. Remuneration report

The remuneration report summarizes 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.

4.1. 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 based on a sustainable corporate development.

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

4.1.1. Components of Executive Board remuneration

The remuneration of the Executive Board is performance-related. In 2013, 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 fiscal year 2013 is achieved. Half of the variable bonus is a short-term bonus based on the achievement of objectives (over one fiscal year), and the other half is a long-term bonus (for three fiscal 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 EBITDA. The amount of the bonus payment is capped for the fiscal 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 SE in the fiscal year 2013. No benefits were paid.

4.1.2. General overview of Executive Board remuneration

The following level of remuneration was set for the Executive Board members in the fiscal year 2013 (rounded figures):

The remuneration of the CEO, Klaus Weinmann, consists of a fixed payment of € 524 thousand (2012: € 502 thousand), an annual bonus of € 667 thousand (2012: € 561 thousand) and other remuneration components amounting to € 21 thousand (2012: € 20 thousand). His total remuneration is € 1,212 thousand (2012: € 1,083 thousand).

The remuneration of the other Executive Board member, Rudolf Hotter, consists of a fixed payment of € 349 thousand (2012: € 334 thousand), an annual bonus of € 334 thousand (2012: € 281 thousand) and other remuneration components amounting to € 7 thousand (2012: € 5 thousand). His total remuneration is € 690 thousand (2012: € 620 thousand). The total remuneration of the Executive Board for the fiscal year 2013 is € 1,902 thousand (2012: € 1,703 thousand).

4.2. Remuneration of the Supervisory Board

The remuneration for the Supervisory Board was decided at the general meeting of stockholders on June 21, 2012. The resolution is recorded in No.13 of the current by-laws of 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.

4.2.1. Components of Supervisory Board remuneration

According to the company's by-laws, each member of the Supervisory Board receives a fixed annual remuneration, which is set by the general meeting of stockholders and remains fixed until a general meeting of stockholders resolves on a change. In accordance with the resolution passed by the general meeting of stockholders on 21 June 2012, each member receives a payment of € 20,000. 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 € 1,000. The attendance fee for the chairperson of the Supervisory Board is € 2,000. 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.

4.2.2. General overview of Supervisory Board remuneration

The Supervisory Board members received the following remuneration in the fiscal year 2013 (rounded figures):

The remuneration of the Chairperson of the Supervisory Board, Walter von Szczytnicki, was € 90 thousand (2012: € 97 thousand). The Deputy Chairperson, Stefan Kober, received € 45 thousand (2012: € 49 thousand). Walter Krejci and Regina Weinmann each received € 25 thousand (2012: € 29 thousand and € 24 thousand respectively), Petra Neureither received € 20 thousand (2012: € 24 thousand), Prof. Dr. Arun Chaudhuri € 14 thousand (2012: € 14 thousand) and Dr. Lothar Koniarski € 15 thousand. Raymond Kober received € 15 thousand in 2012. The total remuneration of the Supervisory Board members in 2013 was € 234 thousand (2012: € 252 thousand).

4.3. 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. A deductible has been agreed for the D&O insurance covering the Executive and Supervisory Boards.

5. Corporate governance declaration in compliance with Section 289a of the German Commercial Code

CANCOM has published the corporate governance declaration required by Section 289a of the German Commercial Code (Handelsgesetzbuch, HGB) on the company's website at www.cancom.com.

6. 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 stockholders 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 stockholder value maximization 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 management system

Risk identification, analysis 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 evaluates and measures risks according to the probability of their occurrence and their severity, then classifies them and 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 organizational 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.

The internal control system and risk management system for group accounting

The internal control system and risk management system at CANCOM in relation to the (group) accounting process includes guidelines, procedures and measures intended to ensure that the accounting process complies with the relevant laws and standards. The main features of the system 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.

- CANCOM takes care to analyze new laws, accounting standards and other pronouncements, as failure to comply with them would pose a major risk to the correctness of CANCOM's accounting processes.

- Appropriate facilities are in place in the IT department to protect CANCOM's financial systems against unauthorized 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 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 equipped with appropriate resources, in terms of both quantity and quality.

- Accounting data received and passed on is continually 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 for group accounting

The internal control system 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 is 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 and 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 organizational structure for recording, processing and documenting business transactions and entering them immediately and correctly in the accounts in compliance with the legal requirements, the by-laws and the internal guidelines. At the same time the process provides for assets and liabilities in the annual and consolidated financial statements to be accurately recognized, 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. All of the risk factors mentioned below relate to both business segments (IT solutions and e-commerce) equally. In addition, CANCOM may be exposed to other risks which are not yet known, or which are currently felt to be insignificant, and which could be equally damaging to the business.

Industry and market risks

The CANCOM group's order position is affected by the economic situation.

As a provider of integrated information and communications technology (ICT) solutions, CANCOM is dependent on the demand for hardware, software and information technology (IT) solutions. The size of the client's IT budget depends on both the company's financial situation and the general economic conditions. If budgets for IT expenditure are cut, or the funds are used for other purposes, companies may become less willing to invest in IT and therefore postpone or cancel orders. Even though the prospects for growth have improved in Germany and the eurozone in comparison with 2013, they are still modest. A significant deterioration in the economic situation could therefore have a serious impact on the outlook for the CANCOM group's business.

The IT market is intensely competitive. An increasing level of competition could lead to a reduction in sales revenues, lower margins and/or a loss of market share for the CANCOM group.

The market in which the CANCOM group operates is highly competitive and subject to rapid change. The group is in competition with both large and medium-sized providers of integrated IT systems in Germany. However, the CANCOM group is also in competition with international integrated system providers, which are increasingly attempting to gain a market share in the business segments and client groups served by the CANCOM group. Additionally, the process of consolidation in the market has accelerated in the past few years owing to takeovers, as well as insolvencies among integrated systems providers of various sizes. If this process continues, the pricing and competitive pressure the group already experiences could intensify. It is also possible that new competitors will emerge onto the market, or that new alliances could be formed between competitors, which could gain a substantial market share within a short period of time. Although only a few of CANCOM's current and potential competitors have better resources (for instance, financial, technological, marketing, purchasing) at their disposal, we cannot rule out the possibility that competitors may be able to respond more quickly to new or developing technologies or standards, or to changes in clients' requirements, or to supply competitive products at a lower consumer price. Intensified competition could lead to downward pressure on prices, reduced margins and a loss of market share. CANCOM is constantly adjusting its organizational system, its processes, and its portfolio of products and services to current market circumstances and client requirements. In addition, CANCOM conducts internal analyses of the market and technologies to ensure that the group remains competitive.

We cannot rule out the possibility that one or several of the individual risks described under industry and market risks might occur. CANCOM estimates the probability of their occurrence as high. Depending on the individual case, these risks could have a major adverse impact on CANCOM's business activities and its assets and earnings position.

Product and technology risks

The requirements of CANCOM's clients are constantly changing owing to the rapid pace of technological change and the emergence of new trends. There is a risk that the solutions and services of the CANCOM group might not be able to meet the latest requirements of its clients or comply with changed regulatory requirements.

The IT sector is subject to rapid technological change. In particular, the market is shaped by frequent introductions of improved or new solutions and services, constant changes in client requirements and regulatory changes, for instance in the area of data protection. The success of the CANCOM group therefore depends crucially on its ability to early predict new trends and developments, such as in cloud computing applications, and foresee changes in data protection requirements. It must constantly adapt and improve existing solutions and services and develop new ones to stay abreast of changes in technologies, regulations and clients' requirements. Every delay or obstacle to the introduction of improved or new solutions or services as part of the product portfolio, or lack of acceptance or delayed acceptance on the market, can have a serious impact on the competitive position and the business prospects of the CANCOM group. In addition there is a risk that technological development in the fields in which the CANCOM group operates will stagnate and no further development will take place. This could have a negative effect on the demand for new solutions and services from the CANCOM group.

Technological innovations might not be introduced onto the market in time.

Companies in the IT sector are under great pressure to innovate. The sector is characterized by ever-shorter development cycles, while IT solutions and systems are becoming increasing complex. The innovativeness of the CANCOM group and its ability to identify technological trends early and turn them into products and solutions are major factors distinguishing it from the competition. In addition to its in-house developments, the CANCOM group draws on technological solutions from external providers. If the CANCOM group does not succeed in identifying technology trends early and introducing technological innovations onto the market at the right time, this could have a serious impact on the competitive position and the business prospects of the CANCOM group.

CANCOM group companies are exposed to product liability and warranty risks.

The CANCOM group provides IT solutions as part of complex installation, system integration, software, operational management and outsourcing projects. This may give rise to technical risks due to the complexity of the IT solutions and the depth to which they are integrated into clients' processes. These risks could have a serious impact on clients' business processes.

For example, with the AHP Private Cloud developed by CANCOM there is a risk that the client may be unable to use the cloud, or unable to use it properly, in the event of malfunctions or incorrect settings, or following updates. In CANCOM's hosting services business, data center outages or errors could result in the restriction or interruption of clients' operations. As the CANCOM group also leases space in some external data centers, a risk of this kind could materialize through no fault of the CANCOM group. There is a risk of business interruptions, both in the CANCOM group and at suppliers or clients, as a consequence of environmental or natural disasters or similar events. Management risks may also arise from failure to identify interruptions in time, from monitoring failures or from violations of service level agreements in which commitments are made to clients that faults will be remedied without delay. As a result CANCOM may find itself exposed to warranty claims and claims for damages, or even loss of contracts.

We cannot rule out the possibility that one or several of the individual risks described under product and technology risks might occur. CANCOM estimates the probability of their occurrence as high. Depending on the individual case, these risks could have a major adverse impact on CANCOM's business activities and its assets and earnings position.

Project risks

CANCOM group projects could be delayed or aborted, or for other reasons not be as successful as expected, potentially leading to the full or partial loss of investments made.

The CANCOM group carries out IT projects in which IT solutions tailored to a client's specific needs are planned and implemented. IT projects are frequently highly complex and involve a considerable amount of time and financial resources. This may give rise to both technical risks connected with the execution of the project and contract risks. We cannot rule out the possibility that projects may be delayed, aborted or for other reasons not be as successful as had been hoped.

It is often not possible to arrange for down-payments during such projects. The services provided by the CANCOM group can therefore generally only be invoiced once certain previously agreed project milestones are reached, or even at the end of the project as a whole. For this reason the CANCOM group sometimes has to provide a considerable quantity of work on a project in advance of payment. If a project is delayed or abandoned, this may result in CANCOM losing investments it has made, or not being able to invoice for work performed. If, for any reason, a client refuses to accept the results of a project, this can lead to planned payments being delayed or not received at all.

If IT projects are calculated at fixed prices, there is a risk that owing to erroneous assumptions or the occurrence of unforeseen events, the actual cost in time and money may exceed the budget and the client may not accept the new figures.

In cloud computing, there is also a major risk that a failure to provide the agreed services to the client could lead to outages of all kinds. This could involve substantial costs in time and money, and might entail contract penalties or damage the relationship with the client or even result in the loss of the client.

Before drawing up quotations for projects, CANCOM generally reviews all requests to establish whether they are technically and financially feasible.

The focus is on ensuring that the client receives the best possible solutions, 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. These are controlled by the project management during the course of the project. Projects include a risk management process which is integrated into CANCOM's project management system and has coordinated risk and quality management programs to safeguard the implementation process. CANCOM applies various measures and procedures, such as the use of redundant data centers, to ensure that the agreed service can be provided.

There are risks associated with operating as a subcontractor.

CANCOM group companies are often used as subcontractors on large-scale projects. These companies are subcontracted by a general contractor to perform specific tasks as part of an overall IT project. In these cases, the CANCOM group is dependent on subcontracts from these general contractors, and there may be deferrals or reductions in the volume of contracts awarded.

We cannot rule out the possibility that one or several of the individual risks described under project risks might occur. CANCOM estimates the probability of their occurrence as high. Depending on the individual case, these risks could have a major adverse impact on CANCOM's business activities and its assets and earnings position.

Financial risks

There are 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 had a liquidity position of € 77.7 million and credit and guarantee facilities of € 18.3 million provided by banks. Of this amount, € 13.8 million was easily available as at December 31, 2013. 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 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 CANCOM group has a solid financial standing, a good equity position and a comfortable cash situation. We do not currently see any financing risks or other risks that could jeopardize CANCOM's continued existence.

There are risks from exchange rate and interest rate 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 exchange rate risk. Nevertheless, a significant fall in the value of the euro against other currencies could lead to currency losses.

Cash pooling within the group reduces the volume of financing through borrowed capital, and thus optimizes 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 utilization of the surplus funds of group companies to finance the cash requirements of other group companies. 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.

There are financial market and stock market price risks.

A major objective of CANCOM SE 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 for trading and service transactions.

Fluctuations in the price of the CANCOM stock can have a negative impact on the company's financial position, 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 stockholders, investors, analysts, and business and IT media in the interests of sustaining the stock price. External factors, for instance uncertainty in the economy or in the capital market, with resulting fluctuations in prices, cannot be ruled out.

There are default risks.

Default on payment by clients can pose a risk. To counter this risk, CANCOM has an intensive receivables management system. There are internal guidelines for the issuing of credit limits with regard to both the limits granted and the employees authorized to approve them. Deliveries to clients are generally only made after a credit check has been made.

We cannot rule out the possibility that one or several of the individual risks described under financial market risks might occur. CANCOM estimates the probability of their occurrence as medium. Depending on the individual case, these risks could have a moderately adverse impact on CANCOM's business activities and its assets and earnings position.

There are risks from dependence on large clients.

In principle, there is a risk from dependence on individual large clients. Thanks to its market positioning, CANCOM has a broad client base. However, the success of the IT solutions business normally depends on a few large clients.

The CANCOM group's largest client is the Atos group, particularly Atos IT Solutions und Services GmbH. With Atos IT Solutions und Services GmbH, therefore, there is a concentration risk in relation to accounts receivable. A significant reduction in orders from the Atos group, or the loss of this client or another large client, could have a severe impact on the business prospects of the CANCOM group, unless the loss can be offset by the acquisition of a new client of similar size or additional projects from existing clients.

We cannot rule out the possibility that this risk might occur. CANCOM estimates the probability of occurrence as high. Depending on the individual case, this risk could have a major adverse impact on CANCOM's business activities and its assets and earnings position.

Personnel risks

The success of the CANCOM group depends on its ability to attract and retain sufficiently well qualified key personnel.

Larger service projects give rise to increased risks connected with the deployment of personnel. The loss of big projects can lead to increased personnel costs, since often employees cannot be usefully deployed on other projects, or there are delays in readjusting staffing.

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 deputizing, particularly in sensitive and knowledge-intensive areas, so that any negative consequences due to the unexpected absence of an employee are minimized. 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. One of the ways in which CANCOM counters this is by attempting to boost its image as an employer and by offering various training measures and further education for employees. Despite these personnel risks, with CANCOM's strong position in the market and the measures in place, it is in a position to continue recruiting and retaining well-qualified specialist staff with the potential to boost CANCOM's business success.

There are risks from legal changes surrounding the German Temporary Employment Act (Arbeitnehmerüberlassungsgesetz, AÜG)

The CANCOM group has a license for hiring out employees and uses this to hire out some of its employees to work on IT projects for clients. If there are major changes to the framework regulatory conditions as they exist now, especially the laws on the hiring out of employees, this could have a negative impact on the assets, financial and earnings position of the CANCOM group.

We cannot rule out the possibility that one or several of the individual risks described under personnel risks might occur. CANCOM estimates the probability of their occurrence as medium.

Depending on the individual case, these risks could have a moderately adverse impact on CANCOM's business activities and its assets and earnings position.

Information risks

The CANCOM group may not be able to protect its developments and its expertise or to maintain their secrecy.

In our view, the expertise built up by the CANCOM group in the course of its business activities, especially from developing its own technological products, represents a decisive competitive advantage. The competitiveness of the CANCOM group depends particularly on the safeguarding of its technological innovations and the expertise connected with them. If this expertise should be revealed to third parties, this could result in the loss of the competitive edge CANCOM has gained through its own work, as well as the earnings potential from passing on its expertise to clients.

We cannot rule out the possibility that this risk might occur. CANCOM estimates the probability of occurrence as medium. Depending on the individual case, this risk could have a moderately adverse impact on CANCOM‘s business activities and its assets and earnings position.

Operational risks

There are internal risks.

The CANCOM group's value chain covers all steps in its activities, from marketing, advice, distribution and logistics to training 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 organizational 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. This could have a permanent and sometimes severe effect on the business activities of the CANCOM group. 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.

The CANCOM group is dependent on its suppliers.

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 profits, since our merchandise inventories at the logistics centers are of a short-term nature for reasons relating to optimization. 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.

There are warehousing risks.

The quantity of merchandise kept in stock by the CANCOM group is based on sales forecasts as well as expectations of the quantities needed for promotions and to fill make-and-hold orders. The risk of break-in, theft and loss is relatively high, especially in relation to computer and PC merchandise and small electronic products. There is therefore a risk of uninsured damage or loss occurring. Owing to sometimes sudden, sharp fluctuations in the prices of products there is also a risk that it may only be possible to sell merchandise at a lower price than usual, if at all, or that the quantities requested for release under make-and-hold orders may not be as large as agreed. This would result in inventories having to be written-down, possibly with a negative impact on the business activities of the CANCOM group.

The business activities of the CANCOM group could be affected by interruptions, including IT system failures, which could be detrimental to its information technology.

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 jeopardize 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 minimize it in order to best safeguard the availability of IT systems. However, disruptions, which could be as serious as a complete failure of IT systems, could have a negative impact on the course of business and on supplier and client relationships.

We cannot rule out the possibility that one or several of the individual risks described under operational risks might occur. CANCOM estimates the probability of their occurrence as low. Depending on the individual case, these risks could have a moderately adverse impact on CANCOM's business activities and its assets and earnings position.

There is a risk that a third party may claim CANCOM has violated its property rights.

We cannot rule out the possibility that the CANCOM group may violate the property rights of third parties in the course of its business activities, or that third parties may make claims against the group for violation of property rights, or that action may be brought against the CANCOM group as part of a legal dispute. This may result in the group having to pay licensing fees. There is also a possibility that inventions of the CANCOM group cannot be used commercially, or that their commercial use is delayed. Successful claims for breaches of patent could result in the CANCOM group being obliged to pay substantial compensation. Legal disputes of this kind can also involve considerable costs in time, personnel and money. Even a claim by a third party that the CANCOM group is violating industrial property rights could lead to economic loss, owing to the crucial role played by industrial property rights in the sector in which the CANCOM group operates. Third parties could assert that their patent rights or other intellectual property rights were breached by the actions of the company or its employees, and institute proceedings against companies belonging to the

We cannot rule out the possibility that the individual risk described above under operational risks might occur. CANCOM estimates the probability of its occurrence as medium. Depending on the individual case, this risk could have a moderately adverse impact on CANCOM's business activities and its assets and earnings position.

There is a risk of misjudgments with regard to both acquisitions already made and potential acquisitions of companies, as well as the integration of these companies into the CANCOM group.

Both in its equity investments and in its acquisition of companies or parts of companies, CANCOM occasionally ventures into business fields that are new to it. The acquisition of companies and equity investments presents a considerable risk. We cannot rule out the risk that these acquisitions and business fields might not perform as well as anticipated, or that risks might occur that were not identified or that were wrongly assessed in the due diligence process. Additionally, important employees or key personnel from the acquired companies could leave the relevant company as a result of the acquisition by the CANCOM group. Consequently, owing to the loss of these important employees or key personnel, it may not be possible to meet the targets expected to be met by the acquisition. There is also a risk that clients of the acquired company might not place any orders with, or enter into any related contracts with, the CANCOM group and might switch to competitors. In addition, the organizational integration of further companies into the CANCOM group can involve considerable costs in terms of both time and money. There is also a possibility that there may be difficulties in implementing the strategy on which the acquisition was based, and that the targets and anticipated synergy effects cannot be realized.

From its experience of previous acquisitions and the expertise it has built up in the integration of companies into the group, CANCOM is able to manage the potential risks actively. Its thorough knowledge of the market situation, built up over many years, is a great advantage in this respect. Also, the integration process is implemented by experienced integration managers, and there are checklists and documentation that allow the processes and risks to be properly recorded. We attempt to reduce the risk arising from acquisitions in new business fields by focusing on our core business.

The occurrence of one or more of these risks may result in the loss of the investment made and, in certain circumstances, the necessity for amortization and/or depreciation of assets in the balance sheet.

We cannot rule out the possibility that this risk might occur. CANCOM estimates the probability of occurrence as high. Depending on the individual case, this risk could have a major adverse impact on CANCOM's business activities and its assets and earnings position.

Review of overall risk

The management of CANCOM SE does not currently consider the company's future as a going concern to be in any danger.

In view of CANCOM's position in the market, its committed employees and the flexible group structure and structured processes for early identification of risks, the Executive Board of CANCOM is confident that in 2014 we can continue to meet the challenges arising from the risks described.

Opportunities of future development

CANCOM's business activities in various fields of the IT sector offer many opportunities. To identify them, 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. In addition, financing possibilities in the capital market among other things are regularly under review.

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

General market trend

Companies' willingness to invest continues to be governed by cost-saving IT solutions and IT services that provide optimum support for their business processes and bring a sustained improvement in their productivity. This means the pressure for efficiency in IT departments continues to be high, while IT systems are becoming increasingly complex. However, specialist departments demand high speeds and greater agility, so that they can respond quickly and flexibly in competitive environments. IT is becoming a business enabler, making it an important factor in a company's competitiveness.

According to a survey carried out by consulting services provider Capgemini, IT expenditure in Germany will continue to rise this year due to the positive trend in the German economy as a whole. IT managers, particularly those in the public sector, expect increases in their budgets, as they anticipate that the implementation of the new German E-Government Act will have to be tackled by 2015 at the latest. Chief information officers in trading companies are particularly optimistic about the future. According to the findings of the Capgemini study, around 50 percent of those surveyed think their budgets will be increased in 2014, with 64 percent expecting budget increases in 2015.

With its takeover in September 2013 of on line Datensysteme GmbH, a company long established as a provider of integrated IT systems to the public sector, CANCOM has gained a promising foothold in this market. CANCOM also aims to position itself as a strong partner in the retail segment in the coming year by offering smart retail solutions. CANCOM is working with leading manufacturers and retailers to develop intelligent, cross-technology solutions for this purpose, with the aim of improving the competitiveness of (bricks and mortar) trading businesses through the use of new technologies. Omni-channel retailing – i.e. the networking of retail stores,

e-commerce, mobile apps and social media – is rapidly gaining importance.

In the development of successful omni-channel strategies, the CANCOM standard architecture for smart retail solutions offers many advantages for senior management, departments such as marketing and distribution, IT departments and, of course, also for clients.

Trends

For years, mobility has been one of the main drivers of change in the working environment and in IT operations. It is becoming increasingly important for employees to have access to company data and applications from home or when on the move. 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. Of the companies surveyed in Germany, 94 percent aim to be in a position to enable their employees to work remotely by 2020. However, secure and inexpensive access to company data from any location and at any time, by means of any device, is only possible with cloud-based IT architecture.

Recent reports by market research company Gartner found that mobile, cloud computing and social media are the overarching trends that will continue to shape the IT sector in 2014.

The ten most important high-tech areas of 2014

IT security	57%
Cloud computing / virtualization	49%
Mobile apps / mobile websites	47%
Business intelligence / big data	44%
IT outsourcing	29%
Social media / social business	28%
Collaboration / enterprise 2.0	25%
Bring your own device (BYOD)	23%
Enterprise content management	22%
Industry 4.0	22%

The most important technology and market trends to shape the German ICT market in 2014.
Source: BITKOM, 44th IT sector barometer, first half-year of 2014.

Cloud and mobility

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 2014. Cloud solutions offer various opportunities that benefit companies. By using cloud computing, companies can significantly reduce their IT costs, improve their efficiency and agility and so become more competitive. On the software side, cloud solutions enable easier scalability, as well as shortening provisioning times, reducing maintenance costs, and allowing employees to gain access regardless of where they are or what device they are using. While at present cloud solutions are still used predominantly within the infrastructure, experts anticipate that attitudes to the cloud will change rapidly and cloud use will increase, especially with regard to applications. The Experton Group accordingly expects the high growth rates in cloud computing to continue. This opens up opportunities for cloud providers such as CANCOM.

While companies are still extremely skeptical of public cloud services, there has been a surge in the use of internal clouds. A study by the Experton Group found that most users still prefer the private cloud model.

The market research company IDC believes that the market for private cloud construction (hardware, software and services) will continue to grow by an average of 20 percent per year in the period from 2012 to 2017. According to IDC, dedicated private hosted cloud services will experience particularly strong growth during this period, at an average of approximately 33 percent per annum, well in excess of the growth rate for the IT market as a whole. The reason for this is the increasing demand for operating expenditure (OPEX) accounting models. Companies are seeking to reduce their investment costs and to convert them into operations expenses on the basis of consumption-based accounting arrangements. Business cloud solutions also offer the advantage that new locations and companies can be connected within a very short time, almost completely eliminating any loss of productivity. Owing to the ongoing process of concentration in many sectors, therefore, there is a possibility that mergers and acquisitions, with resulting IT restructuring, will provide an additional stimulus to the market, which should benefit CANCOM.

The migration of traditional IT landscapes into private clouds also requires a profound transformation process at end-user companies. This also gives rise to numerous new opportunities for providers such as CANCOM.

With CANCOM AHP Private Cloud, CANCOM has its own field-tested private desktop cloud solution, which enables it to position itself as a strong and reliable IT partner in the consumer market. Our promising position in this field has been recognized by the Experton Group, which awarded CANCOM the title of Cloud Leader on the basis of its annual Cloud Vendor Benchmark study in 2013, underlining the quality and competitiveness of CANCOM's cloud services. CANCOM's takeover of cloud provider Pironet NDH has also enabled it to expand further both its product portfolio for business cloud solutions and its market position in this segment. With its extensive expertise in the field of cloud computing, its close partnerships with leading technology partners and, not least, its own cloud solution, CANCOM is ideally positioned in this growth segment.

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 customized 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 center for mobile solutions and has proven expertise and several years' project experience in this environment.

IT security

Another topic that is very high on the agenda for 2014 is IT security. This is not only due to the U.S. National Security Agency (NSA) affair, but is primarily the result of the progressive digitization of processes and the associated increase in data security requirements. This is making IT outages and security loopholes increasingly costly and risky for companies, which is why they are taking every precaution to minimize these risks, including business continuity planning, malware protection, and security compliance. The increasing demands being placed on companies' IT systems and infrastructure to meet compliance guidelines, for instance, could have a particularly positive effect on demand in the hardware, software and services segments. Additionally, in order to prepare their IT systems for cloud computing, companies are investing before the actual implementation process, primarily in IT security, networking, storage and virtualization.

This also opens up positive opportunities for the development of the CANCOM group's business, with its broad portfolio of IT security solutions. CANCOM also offers professional solutions for centralization, consolidation and virtualization to satisfy the increasing requirements for integrated system landscapes, as well as safeguarding the business

Social

Another trend is companies' use of social media, blogs and wikis. Social networks such as Facebook, Google+, LinkedIn and Xing, and Internet video portals such as Youtube, are becoming increasingly important for company communication and online sales. However, social media is not only about using the applications referred to above, but mainly about the application of the technologies associated with them (collaborative writing, file sharing, blogs, activity streams, wikis, microblogging etc.) in companies. Social business makes it easier to get connected and communicate quickly and directly with clients, business partners, potential employees and other interested groups. The market research company IDC predicts that within the next four years software for social networks will become as important as email for electronic communication in companies. Companies use social networks and blogs to provide information on their offerings and to forge closer relationships with clients. Social media applications also offer companies an opportunity to get a feel for what their clients want and respond accordingly. Certain technological and organizational 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 clients with advice on and support with the technological implementation of social media systems and their integration into existing IT landscapes.

Big data

Due to the pervasiveness of information and communications technology in almost all areas of life and work, companies inevitably face a further challenge in big data. This opens opportunities for IT service providers such as CANCOM. Data in quantities as large as terabytes and petabytes necessitates new procedures, algorithms and business processes for administration, processing and analysis. Big data is extending traditional business analytics applications in previously unimagined ways. The trend is therefore towards dynamic infrastructure, which includes both existing data centers and future requirements for big data projects. For the coming year, the priority is thus to develop a data center strategy that offers the greatest possible flexibility. With its many years of expertise in the data center market, CANCOM has a lot to offer its clients.

Outsourcing

Outsourcing and cloud services – the purchasing of IT resources as a service via the Internet – continue to be in particular demand. Partial or total outsourcing of IT enables companies to opt for consumption-based billing arrangements. This means that IT expenditure is only reflected in operating costs, and no IT investments that tie up capital are necessary (conversion from CAPEX to OPEX). In a recent study by Capgemini, more than 50 percent of those surveyed said they expected that in ten years most IT services will be provided by external service providers. 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.

E-commerce

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 customized shops, for instance, corporate procurement processes can be even more efficiently organized. Customized shops are web-based shops containing a fixed, individual product range. They offer clients the advantage of ensuring that the infrastructure will be consistent for all orders. This in turn offers CANCOM the opportunity for sustained strengthening of client loyalty. CANCOM's expertise is in offering clients individual e-commerce solutions, ranging from the conventional web shop to electronic linking of the product range to the client's ERP systems.

With its portfolio of products and services, CANCOM has an outstanding position overall in the IT growth areas mentioned by the experts. This should have a positive impact on its sales revenues, earnings position and cash flow.

Organization and staff

CANCOM offers more than two decades of experience in IT consulting and integration combined with innovative services. It gives independent advice, and creates economical and technically optimized systems infrastructures. Competence centers 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. With a comprehensive range of ICT services and over 1,600 highly skilled employees in its professional services division, CANCOM offers IT solutions and managed services tailored to individual needs, and thus creates added value for clients. 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, develop and retain high-potential employees – highly qualified skilled staff and managers. CANCOM was recognized as one of the most popular IT employers 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 in the category of companies with over 1,000 employees.

Organic growth and selective takeovers

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 ICT 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, centralized administrative tasks and better access to large projects – can contribute to 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 strong consolidation, and CANCOM has actively been taking advantage of this trend. Against this background, and in view of the group's 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.

The CANCOM Executive Board remains confident that the group's profitability provides a solid basis for its future performance and provides the necessary resources for the group to pursue the opportunities presented.

7. Events of particular significance after the reporting date

After the end of the additional acceptance period in the takeover offer to the stockholders of Pironet NDH Aktiengesellschaft on January 7, 2014, CANCOM SE's total interest in the capital stock and voting rights of the company reached 74.85 percent. As it now holds the majority of the capital stock, CANCOM SE will include Pironet NDH Aktiengesellschaft in its consolidated financial accounts with effect from January 1, 2014. Pironet NDH Aktiengesellschaft will make a significant contribution to the operating profit of the CANCOM group and thus have a positive impact on the earnings, assets and financial position of the CANCOM group.

CANCOM has acquired all the stocks of HPM Networks. The transaction is documented in a contract of sale dated February 27, 2014. Based in Pleasanton, California, HPM operates as a value-added reseller (VAR) in the cloud infrastructure environment and has long-standing relationships with partners such as HP, VMware Cisco, Microsoft, EMC and Palo Alto Networks, as well as big-name clients such as Twitter, Workday, GAP, Williams-Sonoma and Juniper Networks. The Executive Board expects a positive impact on the earnings position of the CANCOM group in the medium term. In the short term, however, the profits of HPM Networks may be negatively affected by planned investments in the fiscal year 2014.

CANCOM SE intends to acquire all the shares of DIDAS Business Services GmbH, a wholly-owned subsidiary of Allgeier IT Solutions AG based in Langenfeld, Germany. DIDAS is an integrated IT systems provider with eight locations in Germany. The company employs 260 people and according to preliminary figures it generated EBITDA of € 1.8 million and sales revenues of € 56 million in 2013. The Executive Board expects the acquisition to have a positive impact on the CANCOM group's earnings position in the medium term.

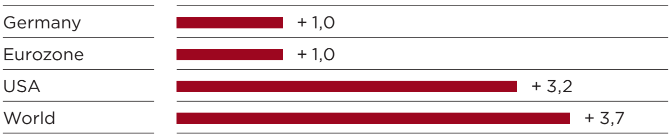
Up until the time of preparation of the management report by the Executive Board, there were no further significant events with any long-term impact on the assets, financial and earnings position of the CANCOM group.

8. Forecast

The IT sector will continue to be shaped by a high speed of innovation. The complexity and variety of solutions, and thus also the demands placed on companies‘ IT departments, will continue to increase – driven, among other things, by new product developments and changed work and usage patterns. Against this background, a rise in the demand for innovative and intelligent IT solutions can be expected.

Experts are cautiously optimistic about the prospects for the German economy in 2014. The economic barometer of the German Institute of Economic Research (Deutsches Institut für Wirtschaftsforschung, DIW) predicts that gross domestic product (GDP) will rise by 0.4 percent in the first quarter of the current year. Expert forecasts for GDP growth in 2014 range between 1 and 2 percent.

Gross domestic product 2014*
(real change compared with 2013, as a percentage)



* Forecasts: Deutsche Bank Economic Research, December 23, 2013

The mood also continues to be good in the IT sector, where a positive performance is expected over the year 2014 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) expect an increase in sales revenues in comparison with 2013. Experts anticipate that the German IT market will grow by 2.8 in 2014, compared with 2.0 percent in 2013. BITKOM forecasts that the volume of the IT market will reach approximately € 76.8 billion in 2014. Particularly strong growth in turnover is expected in the software segment, but there could also be growth in IT services due to outsourcing and cloud computing.

Following a decline of 1.1 percent in the IT hardware segment (€ 21 billion) in 2013, no growth is expected in 2014. New devices for mobile Internet access are the only area of this segment with potential for growth. This is reflected by the rapid growth of, for instance, the tablet market. Growth of 5.1 percent is expected for the software segment (€ 19 billion), compared with 4.9 percent in 2013, and the IT services segment (€ 36.8 billion) is expected to grow by 3.2 percent, in comparison with 2.4 percent in 2013.

BITKOM forecasts that the cloud market in Germany will grow at an average annual rate of just under 40 percent between 2012 and 2016, and presumably reach a market volume of € 20.1 billion by 2016.

Public cloud services (‘consumer clouds’) will account for € 6.4 billion of this, and business clouds (B2B) approximately € 13.7 billion. The business cloud segment is expected to reach a market volume of € 6.9 billion in 2014, compared with € 4.61 billion in 2013. According to the Experton Group, the private cloud market segment will account for € 2.1 billion of this.

Anticipated performance of the CANCOM group

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.

For this purpose, CANCOM geared its business policy to the IT growth areas referred to above at an early stage, and its sales and services structure have been designed 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 clients and for CANCOM, 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 clients, CANCOM provides ongoing support for employees who wish to undergo further professional training and qualification. 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 staff and encouraging them to acquire management and project-related skills.

CANCOM has expanded its market presence and improved its client 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 selective acquisitions. The market continues to offer favorable conditions for this policy.

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

Basis for forecasts

Our forecasts take into account all events that were known at the time this report was drawn up that could have an impact on the future performance of the CANCOM group. The outlook is based, among other things, on the economic growth forecasts referred to above, and on the performance of the IT market.

Outlook for the CANCOM group

The earnings, financial and assets position were improved further in the fiscal year 2013. There was further year-on-year growth in gross profits and EBITDA.

Against the background of the group's positive performance in 2013 and in view of its favorable positioning in the emerging market of cloud computing, the Executive Board expects further growth and an improvement in the profits of the group in the medium term, if the demand for IT products and services remains steady or rises.

The Executive Board currently expects a significant increase in the gross profit and EBITDA of the group as a whole in the fiscal year 2014.

Munich, Germany, March 17, 2014

Klaus Weinmann Rudolf Hotter

CANCOM SE The Executive Board

This document contains forward-looking statements and information based on the current expectations, assumptions and estimates of the Executive Board of CANCOM SE, and other information currently available to the management. The words 'expect', 'assume', 'believe', 'estimate', 'presume', 'intend', 'could', 'plan', 'project', 'should', or similar, are used to indicate forward-looking statements. All statements with the exception of facts regarding the past are forecasts. These forward-looking statements include inter alia: forecasts on the availability of products and services, the financial and earnings position, the business strategy and the Executive Board's plans for future operating activities, current and future economic performance and all statements regarding expectations and assumptions. Although we feel that these statements and comments are based on realistic expectations, we cannot guarantee their correctness, especially in our forecast. Various known and unknown risks, uncertainties and other factors may lead to the actual events deviating significantly from those contained in the forward-looking statements.
The following influencing factors are, among others, relevant in this respect: changes in the general economic and business situation; 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 investment behavior of target client groups etc. and changes to the business strategy. CANCOM cannot guarantee the pertinence, accuracy, completeness or correctness of the information or opinions in this document. CANCOM does not plan to update its forecasts beyond the legal requirements, nor does it make any commitment to do so.

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 current version of German Corporate Governance Code published on May 13, 2013. 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 May 13, 2013, and also voluntarily fulfills 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 December 10, 2013. The declaration of conformity with the Code presented on page 49 was made on the basis of this discussion. It is published on our website.

2. Basic principles of the corporate governance policy

2.1. Stockholders and their general meeting

The general meeting of stockholders is the central decision-making body, at which CANCOM's stockholders can exercise their rights, especially their voting rights. For the past several years, more than 100 stockholders have attended this meeting each year. The annual general meeting of stockholders in 2013 was held on June 18, in Munich, Germany.

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

At their annual general meeting, our stockholders 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 instructions. Stockholders will be able to take advantage of this opportunity at the next general meeting of stockholders in Munich, Germany, on June 25, 2014, as they have done in previous years.

The agenda and the necessary reports and documents for the general meeting of stockholders will be made available to stockholders on the company's website in due course.

2.2. Management and control structure

CANCOM SE has a two-tier board structure, 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 dialog 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 SE 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 Capital, Marketing, Purchasing and Logistics. As COO, Rudolf Hotter is responsible for the group's operating activities. Both Executive Board members were appointed by the Supervisory Board for a term of office that will end on December 31, 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 business 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 company's by-laws and 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 by-laws of CANCOM SE, 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 stockholders 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 meets the recommendations of the German Corporate Governance Code with regard to independence and diversity. Some members have international backgrounds, and the majority of the members are independent. The members of the Supervisory Board currently are: Walter von Szczytnicki (Chairperson), Stefan Kober (Deputy Chairperson), Walter Krejci, Regina Weinmann and Dr. Lothar Koniarski, who all bring proven professional expertise into the enterprise. Apart from Dr. Lothar Koniarski, the members of the Supervisory Board of CANCOM SE were appointed by the extraordinary general meeting on December 18, 2012. Dr. Lothar Koniarski was appointed in a by-election at the general meeting on June 18, 2013. All members are appointed for the period up to the end of the general meeting of stockholders that resolves on the discharge of the Supervisory Board for the first fiscal year of CANCOM SE.

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

The Audit Committee comprises Stefan Kober (Chairperson), Walter von Szczytnicki (Deputy Chairperson) and Dr. Lothar Koniarski. The Chairperson, Stefan Kober, fulfills 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 annual financial statement audit and its focus, commissioning the auditor and agreeing the fee, and compliance matters.

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

Another of the Supervisory Board's duties is to appoint the members of the Executive Board and determine their divisions and 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 reviewed in line with the recommendation in 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, while allowing for diversity by ensuring that there is a proportionate representation of women, independent members and people from different international backgrounds. An age limit is specified for Supervisory Board members. Nominations of candidates presented by the Supervisory Board or the Nominating Committee 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 of the Supervisory Board: availability of sufficient time for members of the Supervisory Board to fulfill their mandates 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 sales area designated in the strategic plan of the company;
- 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 and Regina Weinmann for election at the general meetings of stockholders in 2007 and 2009 respectively. The members of the Supervisory Board come from a variety of international and professional backgrounds, all of which greatly enhances their work on the Supervisory Board. The majority of Supervisory Board members can be considered independent within the meaning of No. 5.4.2 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 stockholders 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 the fiscal year of 2013. 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 95 of the notes to the consolidated accounts.

The Supervisory Board aims to fulfill its role with the greatest care. 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 in 2013 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.

Each fiscal year, CANCOM informs its stockholders three times through its quarterly reports and one time through its annual report 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 stockholders, as well as at investor conferences and road shows.

Stockholders are given information on important publication dates and investor relations events in a financial calendar, which is published in the annual report (see page 117) and on the company's website.

2.3.1. Disclosures in accordance with the German Securities Trading Act

The members of the Executive Board and the Supervisory Board are obliged by Section 15a of the German Securities Trading Act (Wertpapierhandelsgesetz, WpHG) to disclose any purchase or sale of stocks of CANCOM SE, or of any financial instruments based on them, if the value of the transactions executed by the member or related person reaches or exceeds € 5,000 within a calendar year. The transactions reported to CANCOM during the past fiscal year were duly notified according to the rules and published, among other places, in the Investor Relations section of our website at www.cancom.com.

2.3.2. Stock holdings of the Executive and Supervisory Boards as at December 31, 2013

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

The Executive Board	Number of stocks	Percentage of capital stock
Klaus Weinmann	185,270	1.3 %

Supervisory Board	Number of stocks	Percentage of capital stock
Stefan Kober	270,000	1.8 %

2.4. Accounting and annual 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 stockholders on June 18, 2013 appointed the audit firm S&P GmbH Wirtschaftsprüfungsgesellschaft based in Augsburg, Germany, to audit the annual financial statements for the fiscal year 2013. 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 annual financial statement auditing process, and to check that the auditor fulfills 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, for instance 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 kind of 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 company's 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 recognize 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 SE in accordance with Section 161 of the German Stock Corporation Act

The Executive and Supervisory Boards of CANCOM SE declare that, since the previous declaration of conformity on December 18, 2012, the company has been fully compliant with the recommendations of the German Corporate Governance Code issued on May 15, 2012 and May 13, 2013 and published in the German Federal Gazette (Bundesanzeiger) on June 15, 2012 and June 10, 2013 respectively.

III. REMUNERATION REPORT

The remuneration report summarizes 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 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 by 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 stockholders on June 8, 2011.

1.1. Components of Executive Board remuneration

The remuneration of the Executive Board is performance-related. In 2013, 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 fiscal year 2013 is achieved. Half of the variable bonus is a short-term bonus based on the achievement of objectives (over one fiscal year), and the other half is a long-term bonus (for three fiscal 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 fiscal 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 service contract expires or ends through 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 SE in the fiscal year 2013. 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 fiscal year 2013 (rounded figures):

The remuneration of the CEO, Klaus Weinmann, consisted of a fixed payment of € 524 thousand (2012: € 502 thousand), an annual bonus of € 667 thousand (2012: € 561 thousand) and other remuneration components amounting to € 21 thousand (2012: € 20 thousand). His total remuneration was € 1,212 thousand (2012: € 1,083 thousand). The remuneration of the other Executive Board member, Rudolf Hotter, consisted of a fixed payment of € 349 thousand (2012: € 334 thousand), an annual bonus of € 334 thousand (2012: € 281 thousand) and other remuneration components amounting to € 7 thousand (2012: € 5 thousand). His total remuneration was € 690 thousand (2012: € 620 thousand). The total remuneration of the Executive Board for the fiscal year 2013 was € 1,902 thousand (2012: 1,703 thousand).

2. Remuneration of the Supervisory Board

A resolution on remuneration of the Supervisory Board was passed at the ordinary general meeting on June 21, 2012. The resolution is recorded in No. 13 of the current by-laws of 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 level of annual remuneration, which is set by the general meeting of stockholders and remains fixed until a general meeting of stockholders resolves on a change. In accordance with a resolution of the general meeting of stockholders on June 21, 2012, Supervisory Board members are paid € 20 thousand. The deputy chairperson receives double the fixed 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 fiscal year 2013 (rounded figures):

The remuneration of the Chairperson of the Supervisory Board, Walter von Szczytnicki, was € 90 thousand (2012: € 97 thousand). The Deputy Chairperson, Stefan Kober, received € 45 thousand (2012: € 49 thousand). Walter Krejci and Regina Weinmann each received € 25 thousand (2012: € 29 thousand and € 24 thousand respectively), Petra Neureither € 20 thousand (2012: € 24 thousand), Professor Dr. Arun Chaudhuri € 14 thousand (2012: € 14 thousand), Dr. Lothar Koniarski € 15 thousand (2012: € 0) and Raymond Kober € 0 (2012: € 15 thousand). The total remuneration of the Supervisory Board members in 2013 was € 234 thousand (2012: € 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. A deductible has been agreed for the D&O insurance covering the Executive Board and the Supervisory Board.

IV. CORPORATE GOVERNANCE DECLARATION

The corporate governance declaration required by 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 Corporation Act (Aktiengesetz, AktG) and details of the principal corporate management practices.

Munich, Germany, March 2014

CANCOM SE

Executive Board Supervisory Board

Consolidated balance sheet as at December 31, 2013

ASSETS

(in € 000)	Notes	Financial statements Dec. 31, 2013	Financial statements Dec. 31, 2012
Current assets			
Cash and cash equivalents	C.1.	77,733	44,638
Trade accounts receivable	C.2.	112,949	88,285
Other current financial assets	C.3.	3,508	3,277
Inventories	C.4.	15,481	8,744
Orders in process	C.5.	791	666
Prepaid expenses and other current assets	C.6.	1,687	1,140
Total current assets		**212,149**	**146,750**
Non-current assets			
Property, plant and equipment	C.7.1.	20,493	17,552
Intangible assets	C.7.2.	22,611	16,889
Goodwill	C.7.3.	32,703	24,336
Investments		62	71
Financial assets accounted for using the equity method		28,940	0
Loans	C.7.4.	60	56
Other financial assets		2,502	1,683
Deferred taxes arising from temporary differences	C.8.	1,571	971
Deferred taxes arising from tax loss carryover	C.8.	196	158
Other assets		169	182
Total non-currant assets		**109,307**	**61,898**
Total assets		**321,456**	**208,648**

EQUITY AND LIABILITIES

(in € 000)	Notes	Financial statements Dec. 31, 2013	Financial statements Dec. 31, 2012
Current liabilities			
Short-term loans and current component of long-term loans	C.9.	770	900
Profit-participation capital and subordinated loans short-term portion	.	0	412
Trade accounts payable		98,987	76,933
Prepayments received		6,560	3,649
Other current financial liabilities	C.10.	1,947	2,063
Other provisions	C.11.	2,491	1,726
Prepaid expenses and deferred income		1,397	866
Income tax liabilities	C.12.	1,889	3,352
Other current liabilities	C.13.	20,624	16,746
Total current liabilities		**134,665**	**106,647**
Non-currant liabilities			
Long-term debt	C.14.	4,813	5,120
Profit-participation capital and long-term loans	C.15.	5,926	5,592
Prepaid expenses and deferred income	C.16.	3,249	4,188
Deferred taxes arising from temporary differences	C.17.	5,210	2,831
Pension provisions	C.18.	110	123
Other non-currant financial liabilities	C.19.	1,744	1,333
Other long-term liabilites	C.11.	2,866	2,040
Total non-currant liabilities		**23,918**	**21,227**
Equity			
Capital stock	C.20.	14,616	11,430
Additional paid-in capital	C.20.	94,578	26,086
Net income (incl. retained earnings)		53,616	43,087
Currency translation difference and exchange rate difference		-32	-10
Minority interest	C.21.	95	181
Total equity		**162,873**	**80,774**
Total equity and liabilities		**321,456**	**208,648**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in € 000)	Notes	Jan. 1, 2013 - Dec. 31, 2013	Jan. 1, 2012 - Dec. 31, 2012
Sales revenues	E.1.	613,793	558,080
Other operating income	E.2.	1,064	647
Other own work capitalized	E.3.	407	2,513
Total operating income		**615,264**	**561,240**
Cost of purchased materials and services		-428,729	-395,061
Gross profit		**186,535**	**166,179**
Personnel expenses	E.4.	-123,224	-112,363
Depreciation on property, plant and equipment and amortization of intangible assets		-10,730	-7,404
- thereof amortization of goodwill		*-286*	*0*
Other operating expenses	E.5.	-29,933	-25,753
Operating income		**22,648**	**20,659**
Interest and similar income	E.6.	312	359
Interest and other expenses		-1,376	-2,131
Profit/loss from associated companies accounted for using the equity method		-146	0
Foreign currency exchange gains/losses		-15	-8
Profit before taxes		**21,423**	**18,879**
Income tax expense	E.7.	-6,940	-6,612
After-tax profit/loss from continuing operations		**14,483**	**12,267**
Profit/loss from discontinued operations	E.8.	0	-683
Net income for the period		**14,483**	**11,584**
thereof attributable to the stockholders of the parent		14,529	11,469
thereof attributable to minority interests	E.9.	-46	115
Average number of stocks outstanding (basic)		11,765,692	10,569,608
Average number of stocks outstanding (diluted)		11,765,692	10,569,608
Earnings per share from continuing operations (non-diluted)		**1.23**	**1.15**
Earnings per share from continuing operations (diluted)		**1.23**	**1.15**
Earnings per share from discontinued operations (non-diluted)		**0.00**	**-0.06**
Earnings per share from discontinued operations (diluted)		**0.00**	**-0.06**

STATEMENT OF COMPEHENSIVE INCOME

(in € 000)	Jan. 1, 2013 - Dec. 31, 2013	Jan. 1, 2012 - Dec. 31, 2012
Net income for the period	**14,483**	**11,584**
Other income		
Reclassification of foreign exchange losses in consolidated income statement		281
Currency translation difference	-30	-1
Discrepancy resulting from change in price of securities	0	1
Income taxes	9	0
Other after-tax income for the period	**-21**	**281**
Comprehensive income for the period	**14,462**	**11,865**
thereof attributable to stockholders of the parent	14,508	11,750
thereof attributable to minority interests	-46	115

CONSOLIDATED CASH FLOW STATEMENT (IN ACCORDANCE WITH IAS 7)

(in € 000)	Notes	Jan. 1, 2013 - Dec. 31, 2013 €'000	Jan. 1, 2012 - Dec. 31, 2012 €'000
Cash flow from ordinary activities			
Profit for the year before tax and minority interest		21,423	18,879
Adjustments			
+/- Depreciation on property, pland and equipment and amortisation of intangible assets		10,730	7,404
+/- Changes in long-term provisions		-69	-80
+/- Changes in short-term provisions		-165	169
+/- Gains/losses on the sale of intangible assets, property, plant and equipment and financial assets		0	124
+ Interest expenditure		1,064	1,772
+/- Changes in inventories		-5,062	6,275
+/- Changes in trade accounts receivable and other accounts receivable		-20,283	-16,407
+/- Changes in trade accounts payable and other accounts payable		21,463	8,367
+/- Interest payments and rebates		-567	-224
+/- Income tax payments and rebates		-9,332	-10,064
+/- Cash inflow/outflow from discontinued operations		0	-101
Net cash from operating activities		**19,202**	**16,114**
Cash flow from investing activities			
+/- Acquisition of subsidiaries and equity instruments of other companies		-1,437	-646
+/- Cash from acquisitions		2,892	532
- Purchase of financial assets		-28,940	0
- Payments for additions to intangible assets and property, pland and equipment		-8,138	-12,514
+ Income from disposal of intangible assets, property, plant and equipment and financial assets		159	47
- Cash transferred on the sale of financial assets		0	-403
+ Interest received		312	359
+/- Cash inflow / outflow from discontinued operations		0	2,000
Net cash used in investing activities		**-35,152**	**-10,625**
Cash flow from financing activities			
+/- Proceeds from the issuance of share capital		56,072	11,430
+/- Capital increase expenses		-1,493	-209
- Repayment of long-term financial liabilities (incl. short-term portions)		-1,440	-11,826
+/- Changes in short-term liabilities		0	46
- Interest paid		-330	-1,434
- Dividendes paid		-4,040	-3,258
+/- Cash inflow / outflow finance lease		298	-77
Net cash used in financing activities		**49,067**	**-5,328**
Net change in cash and cash equivalents		**33,117**	**161**
+/- Changes in value resulting from foreign currency exchange		-22	2
+/- Cash as at beginning of period		44,638	44,475
Cash and cash equivalents as at end of period	F	**77,733**	**44,638**
Breakdown:			
Cash		77,733	44,638
		77,733	44,638

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**
Dezember 31, 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
Dezember 31, 2012	**11,430**	**11,430**	**26,086**	**25,206**	**-11**	**1**	**-153**	**18,034**	**80,593**	**181**	**80,774**
Capital increase	3,186	3,186	69,529						72,715		72,715
Changes in reserves: Costs of capital increase			-1,037						-1,037		-1,037
Transfer net profit / retained earnings				3,391				-3,391	0		0
Payout in financial year								-4,000	-4,000	-40	-4,040
Comprehensive income for the period					-21	-1		14,529	14,507	-46	14,461
Dezember 31, 2013	**14,616**	**14,616**	**94,578**	**28,597**	**-32**	**0**	**-153**	**25,172**	**162,778**	**95**	**162,873**

Segment informationen – IFRS

Segment informationen	e-commerce		IT Solutions	
	Dec. 31, 2013 €'000	Dec. 31, 2012 €'000	Dec. 31, 2013 €'000	Dec. 31, 2012 €'000
Sales revenues				
- External sales	137,038	157,582	476,747	400,498
- Intersegment sales	4,105	6,861	5,387	4,427
- Total sales revenues	141,143	164,443	482,134	404,925
- Cost of purchased materials and services	-113,987	-136,653	-322,859	-267,745
- Personnel expenses	-15,455	-16,096	-102,951	-91,862
- Other operative income and expenses	-2,187	-2,580	-24,904	-19,950
EBITDA	9,514	9,114	31,420	25,368
- calculated depreciation and amortization	-1,993	-1,278	-8,559	-5,943
Operating income (EBIT)	7,521	7,836	22,861	19,425
- Interest income	34	172	242	77
- Interest expenditure	-592	-552	-749	-750
- Profit/loss from associated companies accounted for using the equity method			-146	
Result from ordinary activities	6,963	7,456	22,208	18,752
- Foreign currency exchange gains / losses				
Pre-tax profit	6,963	7,456	22,208	18,752
- Income taxes				
- discontinued operations	0	-683	0	0
Consolidated income for the year				
thereof attributable to the stockholders of the parent				
thereof attributable to minority interests				
Other information				
- Assets [1]	81,676	76,026	162,866	121,011
- Investments [1]	1,821	3,390	26,584	10,288

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

2) Tax assets

Totals		Other companies		Reconciliation		Consolidated	
Dec. 31, 2013 €'000	Dec. 31, 2012 €'000	Dec. 31, 2013 €'000	Dec. 31, 2012 €'000	Dec. 31, 2013 €'000	Dec. 31, 2012 €'000	Dec. 31, 2013 €'000	Dec. 31, 2012 €'000
613,785	558,080	8	0				
9,492	11,288	0	0	-9,492	-11,288		
623,277	569,368	8	0	-9,492	-11,288	613,793	558,080
-436,846	-404,398	0	0	8,117	9,337	-428,729	-395,061
-118,406	-107,958	-4,818	-4,405	0	0	-123,224	-112,363
-27,091	-22,530	-2,746	-2,014	1,375	1,951	-28,462	-22,593
40,934	34,482	-7,556	-6,419	0	0	33,378	28,063
-10,552	-7,221	-178	-183	0	0	-10,730	-7,404
30,382	27,261	-7,734	-6,602	0	0	22,648	20,659
276	249	714	683	-678	-573	312	359
-1,341	-1,302	-713	-1,402	678	573	-1,376	-2.131
-146	0	0	0	0	0	-146	0
29,171	26,208	-7,733	-7,321	0	0	21,438	18,887
0	0		0	-15	-8	-15	-8
29,171	26,208	-7,733	-7,321	-15	-8	21,423	18,879
				-6,940	-6,612	-6,940	-6,612
0	-683	0	0	0	0	0	-683
						14,483	**11,584**
						14,529	11,469
						-46	115
				Reconciliation[2]			
244,542	197,037	74,604	10,089	2,310	1,522	321,456	208,648
28,405	13,678	29,217	249			57,622	13,927

Schedule of fixed assets

	ACQUISITION OR MANUFACTURING COSTS					
	At Jan. 1, 2013 €'000	Additions from first-time consolidation 2013 €'000	Additions 2013 €'000	Disposals 2013 €'000	Transfers 2013 €'000	At Dec. 31, 2013 €'000
Property, plant and equipment	30,103	1,756	7,335	4,922	34	34,306
Intangible assets						
Software and others	11,385	60	747	1,544	-34	10,614
Customer bases	12,676	9,924	56	447	0	22,209
Goodwill	43,621	8,653	0	0	0	52,274
Investments	81	0	0	9	0	72
Financial assets accounted for using the equity method	0	0	29,087	147	0	28,940
Notes receivable/loans	56	0	4	0	0	60
Total	**97,922**	**20,393**	**37,229**	**7,069**	**0**	**148,475**

Financial year 2012

	ACQUISITION OR MANUFACTURING COSTS					
	At Jan. 1, 2013 €'000	Additions from first-time consolidation 2013 €'000	Additions 2013 €'000	Disposals 2013 €'000	Transfers 2013 €'000	At Dec. 31, 2013 €'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**

DEPRECIATION AND AMORTIZATION					EARNING AMOUNTS	
At Jan. 1, 2013 €'000	Additions from first-time consolidation 2013 €'000	Additions 2013 €'000	Disposals 2013 €'000	At Dec. 31, 2013 €'000	At Dec. 31, 2013 €'000	At Dec. 31, 2012 €'000
12,551	563	5,467	4,768	13,813	20,493	17,552
4,195	55	2,383	1,545	5,088	5,526	7,190
2,977	0	2,594	447	5,124	17,085	9,699
19,285	0	286	0	19,571	32,703	24,336
10	0	0	0	10	62	71
0	0	0	0	0	28,940	0
0	0	0	0	0	60	56
39,018	**618**	**10,730**	**6,760**	**43,606**	**104,869**	**58,904**

DEPRECIATION AND AMORTIZATION					EARNING AMOUNTS	
At Jan. 1, 2013 €'000	Additions from first-time consolidation 2013 €'000	Additions 2013 €'000	Disposals 2013 €'000	At Dec. 31, 2013 €'000	At Dec. 31, 2013 €'000	At Dec. 31, 2012 €'000
9,332	58	4,040	879	12,551	17,552	12,901
2,306	4	1,947	62	4,195	7,190	5,338
2,980	0	1,417	1,420	2,977	9,699	10,590
19,285	0	0	0	19,285	24,336	23,667
10	0	0	0	10	71	70
0	0	0	0	0	56	52
33,913	**62**	**7,404**	**2,361**	**39,018**	**58,904**	**52,618**

Notes to the consolidated financial statements for the fiscal year from January 1 to December 31, 2013

A. The principles adopted for the consolidated financial statements

1. General information

The consolidated financial statements of CANCOM SE and its subsidiaries ('the CANCOM group' or 'the group') for the fiscal year 2013 were drawn up according to the International Financial Reporting Standards or the International Accounting Standards (IFRS/IAS), as they are applied in the European Union (EU).

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, percentage may not exactly match the aggregate values shown or total 100 percent.

The fiscal year covers the period from January 1 to December 31, 2013. The address of the company's registered office is Erika Mann Strasse 69, 80636 München, Germany.

The stocks 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 2013 fiscal year were fully complied with, as were the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) or Standing Interpretations Committee (SIC) as applicable in the European Union. IFRS and IAS over and above these that have only been adopted by the International Accounting Standards Board (IASB) are not applied, unlike in 2012. This does not seriously affect the comparability of the figures for 2013 and 2012. 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 fiscal year 2013, particularly in the European Union. 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 21 – Levies. The interpretation is effective in principle for annual periods starting on or after January 1, 2014. Adoption of the interpretation under EU law is planned for the second quarter of 2014.

IFRS and IAS standards

In October 2010, the IASB published amendments to IFRS 9 Financial Instruments (Classification and Measurement, Accounting for Financial Liabilities, and Derecognition). The standard is effective in principle from January 1, 2015. No date has yet been set for adoption under EU law.

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 January 1, 2013. It was adopted under EU law from January 1, 2014.

Also 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 January 1, 2013 and was adopted under EU law from January 1, 2014.

In the same month, 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 January 1, 2013. It was adopted under EU law from January 1, 2014.

Also 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 January 1, 2013. It was adopted under EU law from January 1, 2014.

Also 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 January 1, 2013. It was adopted under EU law from January 1, 2014.

In December 2011, the IASB published amendments to IFRS 7 Financial Instruments on the requirement for disclosures on transition to IFRS 9. The standard is effective in principle for annual periods starting on or after January 1, 2015. No date has yet been set for adoption under EU law.

Also 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 January 1, 2014.

In October 2012 the IASB published various amendments to IFRS 10, IFRS 12 and IAS 27 in relation to investment entities. The amendments are effective for annual periods starting on or after January 1, 2014.

In May 2013 the IASB published amendments to IAS 36 Impairment of Assets on recoverable amount disclosures for non-financial assets. The standard is effective for annual periods starting on or after January 1, 2014.

In June 2013, the IASB published amendments to IAS 39 Financial Instruments: Recognition and Measurement regarding novation of derivatives and continuation of hedge accounting. The standard is effective for annual periods starting on or after January 1, 2014.

In November 2013 the IASB published amendments to IFRS 9 Financial Instruments incorporating the new general hedge accounting model, which in principle allows immediate application. However, no date has yet been set for adoption under EU law.

In November 2013 the IASB published amendments to IAS 19 Employee Benefits to clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. The mandatory effective date is for annual periods starting on or after July 1, 2014. Adoption of the amended standard under EU law is planned for the third quarter of 2014.

In December 2013 the IASB published amendments to various IFRS standards under its annual improvements project for the 2010-2012 cycle. The effective date of each amendment is included in the IFRSs affected. For the majority of the standards, the date of initial application is stipulated as the fiscal year starting on or after July 1, 2014. For IFRS 2 and IFRS 3 the effective date is linked to the transaction concerned. The amendments refer to transactions that occur on or after July 1, 2014. Adoption of the amended standards under EU law is planned for the third quarter of 2014.

Also in December 2013, the IASB published amendments to various IFRS standards under its annual improvements project for the 2011-2013 cycle. The effective date of each amendment is included in the IFRSs affected. For the majority of the standards, the date of initial application is stipulated as the fiscal year starting on or after July 1, 2014. Adoption of the amended standards under EU law is planned for the third quarter of 2014.

3. Reporting entity

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

Acquisitions in the fiscal year 2013

CANCOM SE has acquired all the stocks of GES Gesellschaft für elektronische Systeme mbH, based in the German town of Ingelfingen, for the nominal sum of € 102 thousand. The acquisition is documented in a stock purchase and transfer agreement dated March 13, 2013. Since April 10, 2013 the company has been trading as CANCOM GES Gesellschaft für elektronische Systeme mbH and is based in Künzelsau, Germany.

The purchase price was € 979 thousand. Incidental acquisition costs of € 11 thousand were incurred in the fiscal year 2013; these are shown in the statement of income under other operating expenses.

The company was included in the consolidated financial statements with effect from April 1, 2013.

The commercial object of the company is to engage in trading computers, systems and accessories for digital video technology, to develop and distribute software and to provide services of all kinds, including consulting connected with all areas of digital video technology.

Change in the reporting entity in 2013:

Name and registered office of the company	Date from which included in the consolidated financial statements	Equity investment (in percent)	Voting rights (in percent)
CANCOM GES Gesellschaft für elektronische Systeme mbH, Künzelsau, Germany	April 1, 2013	100	100

The table below shows the impact on the consolidated financial statements of the change in the reporting entity as at April 1, 2013, the date from which CANCOM GES Gesellschaft für elektronische Systeme mbH was included in the consolidated financial statements:

	Fair value €'000	Carrying amount €'000
Cash and cash equivalents	466	466
Trade accounts receivable	305	305
Inventories	15	15
Prepaid expenses and other current assets	75	75
Current assets	**861**	**861**
Property, plant and equipment	14	14
Intangible assets	245	2
Other assets	65	65
Non-current assets	**324**	**81**
Total assets	**1,185**	**942**
Trade accounts payable	112	112
Provisions	2	2
Deferred income	100	100
Income tax liabilities	3	3
Other current liabilities	120	120
Current liabilities	**337**	**337**
Deferred income	63	63
Deferred taxes from temporary differences	70	0
Non-current liabilities	**133**	**63**
Total liabilities	**470**	**400**
Net assets acquired	**715**	**542**

The acquisition of the company resulted in goodwill of € 264 thousand, which is not tax-deductible. The main reasons for the acquisition itself, and for recognizing goodwill, were to strengthen the company's portfolio in the field of IT network and security solutions focusing on unified communication and collaboration (UCC) services, and to create synergies and potential for sharing access to clients.

The sales revenues of CANCOM GES Gesellschaft für elektronische Systeme mbH included in the consolidated sales revenues since the time of acquisition amount to € 927 thousand, and the profit included in the consolidated profit is € 26 thousand.

CANCOM IT Solutions GmbH and CANCOM cloud solutions GmbH have been merged into CANCOM Deutschland GmbH, trading as CANCOM GmbH since April 23, 2013. The mergers are documented in merger contracts dated April 10, 2013, and were recorded in the commercial register of CANCOM GmbH on April 23, 2013.

CANCOM SE has established a new company named CANCOM, Inc., based in Palo Alto, California. This is documented in a contract dated May 21, 2013. The company's capital stock amounts to $ 500,000, and the company is wholly owned by CANCOM SE. The capital contribution was paid on June 26, 2013.

The purpose of the corporation is to provide cloud and IT services as well as marketing services and to engage in the trading of hardware and software products.

Change in the reporting entity in 2013:

Name and registered office of the company	Date from which included in the consolidated financial statements	Equity investment (in percent)	Voting rights (in percent)
CANCOM, Inc., Palo Alto, USA	May 21, 2013	100	100

The sales revenues of CANCOM, Inc. included in the consolidated sales revenues since the company was established amount to € 56 thousand, and the profit included in the consolidated profit is € 15 thousand.

CANCOM SE has established a new company called Verioplan GmbH, based in Munich, Germany. This is documented in a contract dated June 12, 2013. The company's capital stock is € 25 thousand and CANCOM SE holds all the company's stocks. The capital contribution was paid on July 12, 2013.

The commercial object of the company is to provide planning, consulting and engineering services for building and industrial technology, as well as energy efficiency and risk assessments for data centers.

The newly established company was registered in the commercial register on July 18, 2013.

Change in the reporting entity in 2013:

Name and registered office of the company	Date from which included in the consolidated financial statements	Equity investment (in percent)	Voting rights (in percent)
Verioplan GmbH, Munich, Germany	July 18, 2013	100	100

The sales revenues of Verioplan GmbH included in the consolidated sales revenues since the company was established amount to € 14 thousand, and the profit included in the consolidated profit is € 8 thousand.

CANCOM Unicorner GmbH has been merged into CANCOM GmbH. The merger is documented in a merger agreement dated July 24, 2013. The merger was recorded in the commercial register of CANCOM GmbH on August 28, 2013.

CANCOM SE has purchased all the stocks of on line Datensysteme GmbH, based in Berlin, Germany, for the nominal sum of € 500 thousand. The acquisition is documented in a purchase and contribution agreement dated September 30, 2013.

The purchase price was € 16,643 thousand. The company paid this by issuing 750,000 new no-par-value stocks to the sellers at a market price of € 22.19 per stock from the authorized capital of CANCOM SE. The stocks are freely tradable and admitted to trading on the FWB Frankfurt Stock Exchange. In addition, a contingent consideration equal to the fair value of € 1,921 thousand was agreed. This contingent consideration arises from a three-year variable uncapped remuneration agreement with the former managing partner, now salaried manager, of on line Datensysteme GmbH, related to the pre-tax earnings (EBT) of on line Datensysteme GmbH. The contingent purchase price will range between the nominal amounts of € 1,655 thousand (based on a 2 percent decline in the margin) and € 2,300 thousand (based on a 2 percent growth in the margin) in the years 2014 to 2016. The provision was reduced by € 278 thousand during the fiscal year owing to the partial settlement of the contingent consideration. Incidental acquisition costs of € 167 thousand were incurred; these are shown in the statement of income under other operating expenses.

on line Datensysteme GmbH was included in the consolidated financial statements with effect from October 1, 2013.

The commercial object of the company is wholesale and retail trading of computer systems, hardware, software and peripherals (import and export); distribution of integrated solutions; research and development in the field of applied data technology (hardware and software), particularly designing, programming, installation and testing of software systems; IT consulting; systems analysis; systems engineering; engineering services; and consulting.

Change in the reporting entity in 2013:

Name and registered office of the company	Date from which included in the consolidated financial statements	Equity investment (in percent)	Voting rights (in percent)
on line Datensysteme GmbH, Berlin, Germany	October 1, 2013	100	100

The table below shows the impact on the consolidated financial statements of the change in the reporting entity as at October 1, 2013, the date from which on line Datensysteme GmbH was included in the consolidated financial statements:

	Fair value €'000	Carrying amount €'000
Cash and cash equivalents	2,426	2.426
Trade accounts receivable	5,559	5,559
Other current financial assets	70	70
Inventories	1,660	1,660
Prepaid expenses and other current assets	37	37
Current assets	**9,752**	**9,752**
Property, plant and equipment	1,179	1,179
Intangible assets	9,685	3
Other financial assets	87	87
Deferred taxes from temporary differences	19	19
Other assets	5	5
Non-current assets	**10,975**	**1,293**
Total assets	**20,727**	**11,045**
Short-term loans and current component of long-term loans	33	33
Trade accounts payable	4,475	4,475
Other current financial liabilities	580	580
Provisions	322	322
Income tax liabilities	753	753
Other current liabilities	1,512	1,512
Current liabilities	**7,675**	**7,675**
Long-term loans	439	439
Deferred taxes from temporary differences	3,012	88
Other non-current liabilities	7	7
Non-current liabilities	**3,458**	**534**
Total liabilities	**11,133**	**8,209**
Net assets acquired	**9,594**	**2,836**

The acquisition of the company resulted in goodwill of € 8,390 thousand, which is not tax-deductible. The main reasons for the acquisition itself, and for recognizing goodwill, were to strengthen the company's portfolio through the addition of public-sector clients, and to create synergies and potential for sharing access to clients.

The sales revenues of on line Datensysteme GmbH included in the consolidated financial statements since the time of acquisition amount to € 17,367 thousand, and the profit included in the consolidated financial statements amounts to € 1,111 thousand.

If the acquisition date for all company mergers were January 1, 2013, the sales revenues of the combined undertakings would amount to € 648,635 thousand and the net income to € 17,387 thousand.

The consolidated financial statements for CANCOM SE for the year ended December 31, 2013 include the German and non-German subsidiaries shown in the statement of stockholdings under G.13 in accordance with the principles of full consolidation.

Acquisitions in the fiscal year 2014

CANCOM's acquisition of a further 4,666,492 stocks in Pironet NDH Aktiengesellschaft, Cologne, Germany, on January 7, 2014 increased its share of the voting rights by 32.0 percent, from 42.9 percent to 74.9 percent. This constitutes a controlling interest in the company. The purchase price was € 4.80 per stock, or € 22,399 thousand in total.

The company is included in the consolidated financial statements from January 1, 2014, as the period between January 1 and January 7, 2014 had only two working days, and these are considered unimportant as a proportion of the year as a whole.

A 42.9 percent revaluation of the equity capital, which was valued at equity as at December 31, 2013, is not necessary owing to the recentness of the acquisition of the at-equity investment, which was acquired at the same stock price of € 4.80. This is because the fair value of the interest in the equity of Pironet NDH Aktiengesellschaft is unchanged.

The company performs the role of an managerial holding company, i.e. acquiring, holding, managing and selling equity interests in companies focusing on consulting, development, operational and supplementary IT services in Germany and other countries. Included in this role is the provision of administrative services for these companies, in addition to the management of the companies by taking over strategic control and coordination, including defining business segments and corporate policy, exercising a uniform management policy, coordination of activities, monitoring of results and co-decision on such measures taken by the companies in which Pironet NDH Aktiengesellschaft has a direct or indirect interest.

Change in the reporting entity in 2014:

Name and registered office of the company	Date from which included in the consolidated financial statements	Equity investment (in percent)	Voting rights (in percent)
Pironet NDH Aktiengesellschaft, Cologne, Germany	January 1, 2014	74.9	74.9

The table below shows the anticipated impact on the consolidated financial statements of the change in the reporting entity as at January 1, 2014, the date from which Pironet NDH Aktiengesellschaft was included in the consolidated financial statements. These figures are based on preliminary information.

	Fair value €'000	Carrying amount €'000
Cash and cash equivalents	17,538	17,538
Trade accounts receivable	8,520	8,520
Other current financial assets	32	32
Inventories	299	299
Prepaid expenses and other current assets	1,108	1,108
Current assets	**27,497**	**27,497**
Property, plant and equipment	4,169	4,169
Intangible assets	16,381	4,976
Investments accounted for using the equity method	274	274
Deferred taxes	3,459	3,459
Other assets	47	47
Non-current assets	**24,330**	**12,925**
Total assets	**51,827**	**40,422**
Trade accounts payable	1,734	1,734
Prepayments received	398	398
Other current financial liabilities	1,231	1,231
Provisions	164	164
Deferred income	310	310
Income tax liabilities	633	633
Other current liabilities	2,397	2,397
Current liabilities	**6,867**	**6,867**
Deferred taxes	3,701	0
Pension provisions	59	59
Non-current liabilities	**3,760**	**59**
Total liabilities	**10,627**	**6,926**
Net assets acquired	**41,200**	**33,496**

The acquisition of the company resulted in goodwill of € 20,499 thousand, which is not tax-deductible. The main reason for the acquisition itself, and for recognizing goodwill, was to expand the group's business, especially in the cloud computing environment.

The non-controlling interests in Pironet NDH Aktiengesellschaft were recognized at the pro-rata fair value of the assets and liabilities, which amounts to € 10,359 thousand.

CANCOM SE has bought all the stocks (10,000) of HPM Incorporated, based in Pleasanton, California, through its subsidiary CANCOM, Inc. The purchase is documented in a contract of sale dated February 27, 2014. The purchase price consists of a fixed component of € 6,486 thousand ($ 8,878 thousand), which comprises € 417 thousand ($ 572 thousand) in consulting costs, € 6,069 thousand ($ 8,306 thousand) in purchase price payment, and a variable purchase price component (an earn-out component). The variable component of the purchase price consists of four payments, each of 50 percent of the EBITDA generated in the fiscal years 2014, 2015, 2016 and 2017. It is subject to variation for this reason. It has not yet been possible to calculate the exact amount, as the acquisition date was so close to the date on which the publication of the financial statements was approved. For this reason, the disclosures required under IFRS 3.59 (b) in conjunction with IFRS 3 B66 and B64 (f and g) cannot be fully made.

HPM Incorporated trades under the name of HPM Networks. The company operates as a value-added reseller (VAR) in the cloud infrastructure environment.

The company was included in the consolidated financial statements with effect from March 1, 2014.

Change in the reporting entity in 2014:

Name and registered office of the company	Date from which included in the consolidated financial statements	Equity investment (in percent)	Voting rights (in percent)
CANCOM, Inc. and subsidiary •HPM Incorporated	March 1, 2014	100	100

The goodwill resulting from the acquisition, which cannot yet be calculated, is not tax-deductible. The main reason for the acquisition itself, and for recognizing goodwill, was to position CANCOM's business cloud portfolio in the U.S. market with a view to selling to clients of HPM Incorporated and potential new clients.

The disclosures required under IFRS 3.59 (b) in conjunction with IFRS 3 B66 and IFRS 3 B64 (h to n) regarding assets acquired and liabilities assumed cannot yet be made, owing to the short time between the date of acquisition and the date on which the publication of the financial statements was approved, also because neither the necessary acquisition accounting figures (balance sheet) nor the financial statements for the month of February are yet available.

CANCOM SE intends to acquire all the shares of DIDAS Business Services GmbH, a wholly-owned subsidiary of Allgeier IT Solutions AG based in Langenfeld, Germany. The intended transaction is documented in an agreement dated March 18, 2014. The purchase price will largely be paid in CANCOM-shares which will be issued as part of a capital increase by way of contribution in kind. Further details could not be established owing to the short time between the date of negotiations to the date on which the publication of the financial statements was approved. For this reason, the disclosures required under IFRS 3.59 (b) in conjunction with IFRS 3 B66 and IFRS 3B64 (f and g) cannot be fully made yet.

DIDAS is an integrated IT systems provider with eight locations in Germany. The company employs 260 people and according to preliminary figures it generated EBITDA of € 1.8 million and sales revenues of around € 56 million in 2013.

The date with effect from which the company will be included in the consolidated financial statements will not be established until after the necessary agreement is obtained from the German independent competition authority, (Bundeskartellamt).

Change in the reporting entity in 2014:

Name and registered office of the company	Date from which included in the consolidated financial statements	Equity investment (in percent)	Voting rights (in percent)
DIDAS Business Services GmbH, Langenfeld, Germany	T.B.C.	100	100

The goodwill resulting from the acquisition, which cannot yet be determined, is not tax-deductible. The main reason for the acquisition itself, and for recognizing goodwill, was to gain access to the company's clients, and to promote the CANCOM business cloud portfolio to clients of DIDAS Business Services GmbH.

The disclosures required under IFRS 3.59 (b) in conjunction with IFRS 3 B66 and IFRS 3 B64 (h to n) regarding assets acquired and liabilities assumed cannot yet be made, owing to the short time between the date of acquisition and the date on which the publication of the financial statements was approved, also because neither the necessary acquisition accounting figures (balance sheet) nor the financial statements for February are yet available.

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.

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 recognized 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 an amortization plan. 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 stockholders 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 fiscal 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 clients' 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 estimation of realizable profits plays an important role in the reporting and measurement of other provisions, especially in connection with variable purchase price components.

- In addition, the main estimated values in reporting and measuring 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 fiscal year 2013 are currently expected.

Currency conversion principles

Foreign currency business transactions in the single-entity financial statements of the companies are recognized at the exchange rate applicable at the time of the initial entry. Gains and losses from exchange rate fluctuations are recognized 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 recognized directly in equity and shown separately under other comprehensive income.

Currency	2013	2012	2011
US dollar			
Rate on reporting date	€ 1 = USD 1.377		
Average rate	€ 1 = USD 1.328		
Swiss francs			
Rate on reporting date	€ 1 = CHF 1.227	€ 1 = CHF 1.207	€ 1 = CHF 1.216
Average rate	€ 1 = CHF 1.231	€ 1 = CHF 1.205	€ 1 = CHF 1.233

The currency translation differences recorded in the results amount to € 15 thousand in expenses. The currency translation differences shown in the financial statements for the fiscal year as a separate item under equity capital amount to a loss of € 21 thousand (2012: loss of € 1 thousand). As at December 31, 2013, the reserve for currency translation amounts to minus € 32 thousand (2012: minus € 11 thousand).

Realization of revenues

Revenues from sales of hardware and software are realized when ownership and risk passes to the client, 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 realized only after acceptance by the client, or installation, if this is an essential condition for the initial operation of the product. Sales revenues are shown less cash discounts, price reductions, client bonuses and rebates.

Service contracts in progress are recognized 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 recognized at the balance sheet date in proportion to this stage of completion. If the outcome of a contract cannot be reliably estimated, revenue is recognized 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 recognized 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 recognized 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.

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
Operate Lease	144	0	62	0	0	0	7	205
Finance Lease	1,275	1,141	2,546	2,364	0	0	316	3,821

Leases in which the company is lessee	Net carrying amount as at 31 Dec. 2013	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 2013*
		< 1 year	< 1 year	>1 <5 years	>1 <5 years	> 5 years	> 5 years		
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
Operate Lease	0	6,155	0	12,842	0	8,175	0	0	7,034
Finance Lease	788	235	204	623	584	0	0	859	0

*minimum lease payments only

The finance leases where the company is the lessor relate to leases of hardware and software components. The total minimum lease payments amount to € 3,821 thousand, less the total interest income not yet fully realized of € 316 thousand, resulting in an aggregate present value of € 3,505 thousand.

In finance leases where the company is the lessee, the total minimum lease payments amount to € 859 thousand, less the total interest income not yet fully realized of € 71 thousand, resulting in an aggregate present value of € 788 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 recognized as soon as a stockholder becomes entitled to a dividend.

Earnings per share

Earnings per share are measured in accordance with IAS 33 Earnings per Share. The basic earnings per share are calculated by dividing the consolidated net income less minority interests by the weighted average number of common stocks outstanding in the fiscal 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 cost and net realizable value in accordance with IAS 2.9. Cost includes 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. It is calculated according to the weighted average method and measured item-by-item according to the lower of cost or market principle. The net realizable 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 realizable value.

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

Any borrowed capital costs associated with manufacturing are capitalized.

Orders in progress are valued by the percentage of completion method, in which revenue and costs are recognized 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 cost less depreciation in accordance with IAS 16. They are depreciated over their useful lives using the straight-line method and valued on the basis of the following useful lives:

Buildings on third-party land	50 years
Fixtures, fittings and equipment	3 to 14 years

Cost includes expenditure directly attributable to acquisition. Subsequent costs are only recorded as part of the asset costs or – where relevant – as separate assets if it is probable that the group will obtain economic benefit from them in the future and the asset costs can be reliably determined. All other repair and maintenance costs are recorded as expense in the fiscal 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 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 fiscal years because of impairment no longer exist. A previously determined impairment charge must be derecognized 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 fiscal 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 recognized at 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). Goodwill from acquisitions is not amortized according to plan. Instead, it is subject to an impairment test at least once a year (in line with IFRS 3 and IAS 36). IAS 38 distinguishes between intangible assets with finite lives and those with indefinite lives. Only intangible assets with finite lives are amortized according to plan, 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 capitalized if the development costs can be calculated reliably, the product or the process is technically and economically realizable 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.

Any excess of the acquisition costs over the value of the acquired equity capital is capitalized as goodwill and subsequently subjected to a regular annual impairment test at the end of each fiscal 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 accounted for by the equity method

Companies on whose business and financial policies CANCOM can exercise a significant but non-controlling influence (associates) are included in the consolidated financial statements using the equity method, and initially valued at their acquisition cost. The acquisition costs in excess of CANCOM's share of the net assets of the associate are adjusted in line with the fair value, and the remaining amount is recognized as goodwill. The goodwill resulting from the acquisition of an associated company is included in the carrying amount of the associate and is not amortized according to plan, but is tested for impairment as a component of the overall investment in the associate. CANCOM's share in the profit of the associate after acquisition is recognized in the consolidated statement of income; its share in changes in the associate's other comprehensive income that has not been included in profit or loss is recognized directly in the consolidated equity. The cumulative changes after the acquisition date increase or reduce the carrying amount of the investment in the associate. If CANCOM's share in the losses of an associate equals or exceeds the value of its interest in this company, its share of further losses is not recognized, unless liabilities have been incurred or payments have been made for the associate. The interest in the associate is the carrying amount of the investment along with all long-term interests that, in substance, form part of the investor's net investment in the associate. Profits or losses from business transactions between CANCOM and its associates are eliminated according to CANCOM's interest in the associate. On each reporting date, CANCOM tests whether there are objective indications of impairment of its interest in the associate. If there are such indications, CANCOM calculates the necessary write-down from the difference between the realizable amount and the carrying amount of the associate.

Financial assets

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

Financial assets are divided into the following categories:

- financial assets recognized at fair value in the statement of income;
- held-to-maturity investments;
- available-for-sale financial assets;
- loans and receivables.

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

Loans are categorized as loans and receivables. These are valued according to the effective interest rate method at carrying amounts less any 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, an assessment is carried out 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, although not beyond cost. No write-ups are carried out on available-for-sale equity securities, which are valued at carrying amounts.

Financial assets are derecognized 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 recognized 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 realize the claim.

Deferred taxes are calculated on the basis of the tax rates expected to apply at the time of the fulfillment of the liability or the realization 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 fulfill the liability or realize 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 recognized in the statement of income. Until the fiscal year 2012, these accumulated gains or losses not yet recognized in the statement of income were recognized as income or expense if, at the beginning of the fiscal year, they exceeded 10 percent of the value of the pension obligation or the plan assets, whichever was higher. (The 10 percent limit is known as the 'corridor'.) IAS 19 as amended in 2013 is mandatory with effect from the fiscal year 2013, so only the other comprehensive income (OCI) method is to be used. If the corridor method has been used in line with the previous legal requirement, the OCI method is to be applied retrospectively from the start of the fiscal year 2013, in line with IAS 8. The amendments to IAS 19 effective from 2013 did not result in any major changes in the consolidated financial statements in comparison with the fiscal year 2012.

Under IFRS, the cost components are service cost, net interest and remeasurements. Service cost and net interest are recognized as expenses in profit or loss. These represent the pension expense. Remeasurements are recognized directly in equity.

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 recognized at their repayment value, which is equivalent to the current market value.

Utilized 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.

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 recognized 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.

The profits and losses from the sale of financial instruments shown in the statement of income are recognized in full if all significant risks and rewards are transferred. Where only part of the risks and rewards has been transferred, a differentiation is made by whether the control has been retained or transferred by the company. Since the company only uses non-recourse factoring, all significant risks and rewards are transferred when receivables are sold.

Net gains or net losses from financial assets and liabilities as described by IFRS 7.20 are recognized under other comprehensive income in the statement of comprehensive income. Hedging instruments as defined by IFRS 7.22-23 were not used as at December 31, 2013.

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 an adequate system of risk controlling and ensure it can be applied, 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 key figures. If no precisely defined ratios are available, the risks are assessed by the special appointee.

	Category in line with IAS 39 und IFRS 7	Carrying amount Dec. 31, 2013	Fair Value Dec. 31, 2013	Carrying amount Dec. 31, 2012"	Fair Value Dec. 31, 2012
Assets					
Cash and cash equivalents	LaR	77,733	77,733	44,638	44,638
Long-term investments	AfS	62	62	71	71
Trade accounts receivable	LaR	112,949	112,949	88,285	88,285
Other financial assets	LaR	6,010	6,010	4,960	4,960
Other assets	LaR	1,141	1,141	758	758
Liabilities					
Short-term loans and current component of long-term loans	FLAC	770	770	900	900
Capital from profit participation and subordinated loans (short-term portion)	FLAC	0	0	412	412
Trade accounts payable	FLAC	98,987	98,987	76,933	76,933
Long-term loans	FLAC	4,813	4,813	5,120	5,120
Capital from profit participation rights and subordinated loans	FLAC	5,926	5,926	5,592	5,592
Other financial liabilities	FLAC	3,691	3,691	3,396	3,396
Other liabilities	FLAC	23,490	23,490	18,786	18,786
of which aggregated according to categories in line with IAS 39:					
Loans and Receivables (LaR)		197,833	197,833	138,641	138,641
Held-to-Maturity Investments (HtM)		0	0	0	0
Available-for-Sale Financial Assets (AfS)		62	62	71	71
Financial Assets Held for Trading (FAHfT)		0	0	0	0
Financial Liabilities Measured at Amortised Cost (FLAC)		137,677	137,677	111,139	111,139
Financial Liabilities Held for Trading (FLHfT)		0	0	0	0

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, in addition to its use of non-recourse factoring.

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 capital stock. In addition, short-term liquidity is guaranteed at all times by credit facilities and factoring agreements. Long-term liquidity is safeguarded through long-term bank loans and ample equity. Loans have been significantly reduced and they are almost all long-term at the balance sheet date.

Early refinancing of financial liabilities minimizes 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:

	2014	**2015**	**2016-2018**	**2019 and thereafter**
	€'000	**€'000**	**€'000**	**€'000**
Trade accounts payable	98,987	0	0	0
Liabilities to banks	770	1,181	2,352	1,280
Capital from profit participation rights and subordinated loans	0	1,971	1,102	2,853
Other financial liabilities	1,743	370	464	326
Financial leases	204	214	370	
Other financial obligations	6,155	4,720	8,122	8,174
Interest expense	1,074	1,084	2,669	599

The interest actually payable on loans in 2014 amounts to € 579 thousand. On the basis of the effective interest method to be applied in accordance with IFRS, the interest expense shown in the accounts for 2013 is € 1,074 thousand.

The group has access to credit facilities. As at December 31, 2013, the group had guarantee facilities amounting to € 55,000 thousand in connection with the public takeover offer for Pironet NDH Aktiengesellschaft. These guarantee facilities expired on January 7, 2014 after the end of the public takeover offer. The group also had credit and guarantee facilities of € 18,305 thousand. The full amount not yet utilized as at the balance sheet date is € 13,763 thousand. There were no delays in the payment of interest or capital on loans during the fiscal year 2013.

Currency risk
As CANCOM concentrates its activities in the eurozone, 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 December 31, 2013, the carrying amount of the group's monetary assets and liabilities in foreign currencies is as follows:

in '000	**Dec. 31, 2013**	**Dec. 31, 2012**
Assets in USD	566	0
Liabilities in USD	45	0
	521	**0**

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 favorable rates.

There is a risk management system in place to optimize 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 minimize 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 € 10 thousand per annum. As the loan runs until December 2015, the maximum overall risk is € 20 thousand.

Financial market risk
CANCOM SE's risk manual was reviewed in 2013 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 that are exposed to currency risks. 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 and the Executive Vice President are authorized to purchase or sell structured products from or to banks. 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:

	Dec. 31, 2013 €'000	Dec. 31, 2012 €'000
Accounts receivable before write-downs	113,192	88,458
Write-downs	243	173
Carrying amount of accounts receivable	**112,949**	**88,285**

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. At the reporting date, receivables more than two years old amounted to € 14 thousand.

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 client the group uses a system of internal and external credit scoring to assess the credit rating of potential clients and to set their credit limits. The credit ratings of clients and their credit limits are reviewed at least annually.

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

In 2012, the impairments included individually adjusted trade accounts receivable amounting to € 21 thousand in which insolvency proceedings had been instituted against the debtors. The impairment included was 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 € 30,752 thousand (2012: € 20,551 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 to the provisions in the fiscal 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 (€ 1,429 thousand; 2012: € 1,511 thousand), claims to the payment of a purchase price (€ 1,140 thousand; 2012: € 922 thousand), creditors with a debit balance (€ 383 thousand; 2012: € 266 thousand), marketing revenue (€ 374 thousand; 2012: € 421 thousand), receivables from employees (€ 175 thousand; 2012: € 115 thousand) and receivables from former stockholders (€ 7 thousand; 2012: € 42 thousand).

4. Inventories

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

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

	Dec. 31, 2013 €'000	Dec. 31, 2012 €'000
Finished products and goods	15,172	8,722
Prepayments	309	22
	15,481	**8,744**

The cost of goods, raw materials and supplies in the fiscal year 2013 was € 396,140 thousand (2012: € 366,908 thousand).

Inventories were written down by € 219 thousand (2012: € 610 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 € 976 thousand (2012: € 769 thousand) less advance payments of € 185 thousand (2012: € 103 thousand). The costs accumulated for current projects as at the balance sheet date amounted to € 591 thousand. Gains resulting from current projects as at the reporting date totaled € 385 thousand.

6. Prepaid expenses and other current assets

This item mainly consists of other current assets such as tax refunds (€ 569 thousand; 2012: € 446 thousand), commission income (€ 285 thousand; 2012: € 45 thousand), insurance refunds (€ 158 thousand; 2012: € 156 thousand), rent receivables (€ 32 thousand; 2012: € 56 thousand) and receivables from social insurance institutions (€ 13 thousand; 2012: € 10 thousand).

The prepaid expenses (€ 591 thousand; 2012: € 414 thousand) include deferred insurance premiums and expenses paid in advance.

7. Non-current assets

Changes in, and the composition of, non-current assets in 2013 are shown in the consolidated statement of changes in non-current assets (page 60-61).

7.1 Property, plant and equipment

Property, plant and equipment mainly consists of features, fittings and equipment, in particular motor vehicles (€ 11,266 thousand), unified communications and collaboration (UCC) system (€ 1,126 thousand), data centers (€ 1,085 thousand), assets held for rental (€ 843 thousand), and equipment for the logistics center (€ 454 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 (€ 4,854 thousand; 2012: € 6,068 thousand), capitalized development costs (€ 672 thousand; 2012: € 1,122 thousand), client lists (€ 15,094 thousand; 2012: € 9,695 thousand), orders in hand (€ 1,411 thousand; 2012: € 4 thousand) and a restraint on competition (€ 580 thousand; 2012: € 0).

The client lists and the orders in hand originate from acquisitions made in the year under review and in previous years, and are written down over their expected useful lives.

7.3 Goodwill

In the current reporting period, the former cash generating units CANCOM IT Solutions GmbH and CANCOM Unicorner GmbH were merged into CANCOM Deutschland GmbH. Following the merger, the company was renamed CANCOM GmbH, which represents a new cash generating unit. Goodwill totaling € 32,703 thousand at the reporting date is attributable mainly to CANCOM GmbH (€ 19,751 thousand; 2012: € 11,426 thousand attributable to CANCOM Deutschland GmbH; € 7,942 thousand to CANCOM IT Solutions GmbH; € 383 thousand to CANCOM Unicorner GmbH); CANCOM NSG GmbH (€ 2,522 thousand; 2012: € 2,522 thousand), CANCOM a + d IT solutions GmbH (€ 1,717 thousand; 2012: € 1,717 thousand) and Glanzkinder GmbH (€ 0; 2012: € 286 thousand). The goodwill was increased during the fiscal year 2013 by the acquisitions of on line Datensysteme GmbH (€ 8,390 thousand) and CANCOM GES Gesellschaft für elektronische Systeme mbH (€ 264 thousand). 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 by means of 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. External market studies (by the German Association for Information Technology, Telecommunications and New Media, BITKOM) were also taken into account. 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 2014 vary between 5.6 percent (CANCOM NSG GmbH) and 27.5 percent (CANCOM physical infrastructure 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 fiscal year 2014. For the years 2015 to 2018, it is assumed that the growth in sales revenues will range between 1.5 percent and 3.8 percent. Parts of the CANCOM group are therefore expected to outperform the rest of the IT sector and the market, with software increasing by 5.1 percent, and IT services by 3.2 percent (figures from BITKOM for the German IT market in 2014).

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:

	2013	2012
Risk-free interest	2.72%	2.25%
Market risk premium	6.00%	6.00%
Beta coefficient	0.92	1.25
Capitalisation rate (weighted average cost of capital - WACC):	7.85%	8.85%
Input tax (WACC):	11.33%	12.65%

The impairment tests resulted in a write-down of € 286 thousand of the goodwill for the cash generating unit Glanzkinder GmbH. The impairment tests in the other cash generating units did not result in any write-downs. The total impairment charge at the end of the reporting period was therefore € 286 thousand (at the start of the reporting period there was no impairment charge). The reason for the impairment charge was the uncertainty regarding the future profitability of the company and doubts about the recoverability of the goodwill.

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.

7.4 Loans

The loans consist of the asset value from reinsurance, amounting to € 60 thousand.

7.5 Equity investments accounted for by the equity method

In 2013, the equity investment in Pironet NDH Aktiengesellschaft, Cologne, Germany, was the only equity investment accounted for by the equity method.

CANCOM's share of the stock and voting rights of the company as at December 31, 2013 was 42.9 percent.

The shares of Pironet NDH Aktiengesellschaft are admitted to the General Standard segment. Hence there are publicly quoted market prices for the stocks. The fair value of CANCOM's interest in the company as at the reporting date was € 30,023 thousand, which is calculated by multiplying the number of shares in Pironet NDH Aktiengesellschaft held by CANCOM (6,254,868) by the share price as at December 31, 2013, which was € 4.80.

The table below shows aggregated financial information on NDH Aktiengesellschaft.

	Dec. 31, 2013 €'000
Total assets	41,265
Liabilities	6,959
Sales revenues	46,014
Profit / loss	**1,583**

The carrying amount of the equity investment classified as a non-current asset is € 28,940 thousand, and CANCOM's share in the loss on this equity investment is € 146 thousand.

Through its equity investment of 42.9 percent in Pironet NDH Aktiengesellschaft, CANCOM SE also has a share in its discontinued operations. Pironet NDH Aktiengesellschaft has a 40.43 percent interest in indatex Services for Finance and Insurance AG based in Starnberg, Germany, which is subject to insolvency proceedings, in addition to 70 percent of zelect GmbH, which is in supplementary liquidation proceedings.

8. Deferred tax assets

The deferred tax assets are as follows:

Deferred tax resulting from	Temporary differences €'000	Tax loss carryforwards €'000
As at January 1, 2013	971	158
Addition from recognition of assets directly in equity owing to first-time inclusion in consolidated financial statements	599	0
Tax revenue from profit and loss calculation	1	38
As at December 31, 2013	**1,571**	**196**

As at December 31, 2013 the CANCOM group had corporate tax loss carryovers of € 1.1 million (2012: € 6.4 million) and trade tax loss carryovers of € 0.7 million (2012: € 5.5 million). The unused corporate tax losses for which no deferred tax claim was recognized in the balance sheet amounted to € 0.4 million (2012: € 5.8 million), and the trade tax loss carryovers for which no deferred tax claim was recognized amounted to € 0.4 million (2012: € 5.3 million). Owing to the recent legal decision on the restructuring clause in Section 8 c of the German Corporate Tax Act (Körperschaftsteuergesetz, KStG), it is assumed that it will not be possible to claim the loss carryovers referred to in 2012 as tax exempt. This related to a component of € 5.8 thousand (corporate tax) and € 5.3 thousand (trade tax). On the basis of the planned tax results, it is expected that the capitalized deferred tax advantages from loss carryovers will be realized.

The deferred taxes from temporary differences are mainly the result of other provisions (€ 645 thousand), differences in property, plant and equipment (€ 428thousand), other liabilities (€ 296 thousand), intangible assets (€ 132 thousand) and goodwill (€ 55 thousand).

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

This item shows liabilities to banks. These comprise the utilization 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 outstanding bills of charges (€ 940 thousand; 2012: € 672 thousand), debtors with a credit balance (€ 528 thousand; 2012: € 1,030 thousand), purchase price liabilities (€ 204 thousand; 2012: € 115 thousand), Supervisory Board remuneration (€ 199 thousand; 2012: € 200 thousand) and rent obligations (€ 76 thousand; 2012: € 46 thousand).

11. Sonstige Rückstellungen

The changes in other provisions during 2013 are detailed below: (see table below)

The total provisions include long-term provisions of € 2,866 thousand (2012: € 2,040 thousand), which are disclosed under other non-current liabilities. These provisions are for the purchase price for the shares in on line Datensysteme GmbH and CANCOM Unicorner GmbH (€ 1,362 thousand; 2012: € 455 thousand), guarantees and warranties (€ 696 thousand; 2012: € 640 thousand), the termination payments legally mandatory in Austria (€ 518 thousand; 2012: € 523 thousand), anniversaries (€ 162 thousand; 2012: € 240 thousand), additional leasing costs (€ 83 thousand; 2012: € 85 thousand) and part-time work of older employees (€ 45 thousand; 2012: € 97 thousand). 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 on line Datensysteme GmbH	1 to 3 years
Purchase price for shares in CANCOM Unicorner GmbH	1 to 2 years
Provisions for guarantees and warranties	Warranty by law or contract
Provisions for termination payments	Date of termination of the employment of relevant staff members
Provisions for anniversary payments	Together with salary payments
Provisions for part-time work of older employees	1 to 2 years
Additional and incidental leasing costs	1 to 4 years

12. Income tax liabilities

Income tax liabilities mainly consist of obligations for 2012 and 2013.

13. Other current liabilities

Other current liabilities mainly include sales tax (€ 9,347 thousand; 2012: € 6,421 thousand), bonus payments to Board members and employees (€ 6,022 thousand; 2012: € 5,217 thousand), holiday and overtime entitlements (€ 2,045 thousand; 2012: € 1,811 thousand), tax on salaries and church tax (€ 1,800 thousand; 2012: € 1,575 thousand), trade association payments (€ 536 thousand; 2012: € 600 thousand), social security contributions (€ 186 thousand; 2012: € 178 thousand), compensation levy for non-employment of the severely handicapped (€ 161 thousand; 2012: € 148 thousand) and wages and salaries (€ 9 thousand; 2012: € 36 thousand).

	Jan. 1, 2013 €'000	First-time consolidation €'000	Used €'000	Reversal and transfer €'000	Addition €'000	Dec. 31, 2012 €'000
Guarantees and warranties	1,475	262	1,008	0	962	1,691
Purchase price for shares in affiliated companies	679	0	173	0	1,662	2,168
Termination and severance payments, salaries	1,226	0	424	25	198	975
Uncertain risks	15	0	1	0	206	220
Leasing costs	164	13	78	0	29	128
Financial statement costs	136	56	166	6	49	69
Others	71	0	3	0	38	106
	3,766	**331**	**1,853**	**31**	**3,144**	**5,357**

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 was between 4.5 percent and 5.53 percent.

15. Genussrechtskapital und nachrangige Darlehen

Capital from profit participation rights and subordinated loans includes mezzanine capital from Bayern Mezzaninekapital GmbH & Co. KG of € 1,970,519.33 (loan proceeds € 4,000,000, minus two repayments of € 1,000,000 each in 2011 and 2012); two subordinated loans from Sparkasse Günzburg-Krumbach of € 557,999.51 (loan proceeds € 1,000,000, minus repayment of € 128,800 in 2012) and € 634,969.89 (loan proceeds € 1,000,000); and four subordinated loans from Stadtsparkasse Augsburg of € 1,342,344.91 (loan proceeds € 1,995,600), € 260,731.33 (loan proceeds € 392,500), € 761,404.85 (loan proceeds € 1,621,000) and € 398,234.80 (loan proceeds € 846,000). The mezzanine capital, 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 December 27, 2007 between CANCOM SE and Bayern Mezzaninekapital GmbH & Co. KG. The funds were paid out on December 31, 2007. Partial repayments of € 1,000,000 each were made on December 30, 2011 and December 21, 2012. The remaining mezzanine capital of € 2,000,000.00 is due for repayment in full no later than December 31, 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).

Two loans of € 1,000,000.00 each (loan proceeds) were granted by Sparkasse Günzburg-Krumbach on December 21, 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 March 30, 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 April 10, 2012. The scheduled repayments for this loan will be reduced to € 72,600 per quarter from March 30, 2018.

A loan of € 1,995,600 (loan proceeds) from Stadtsparkasse Augsburg was granted in tranches of € 1,500,000 on September 23, 2009 and € 495,600 on December 8, 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 December 30, 2016.

A further loan of € 392,500 (loan proceeds) from Stadtsparkasse Augsburg was granted on December 8, 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 December 30, 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 November 26, 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 March 30, 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 December 2, 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 March 30, 2018 in 12 quarterly instalments of € 70,500.

16. Prepaid expenses and deferred income

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 € 3,163 thousand (see comments under E.2. Other operating income).

17. Deferred tax liabilities

The deferred tax liabilities are as follows:

	€'000
As at January 1, 2013	2,831
Addition from recognition of liabilities directly in equity owing to first-time inclusion in consolidated financial statements	3,081
Tax revenue/ expense from profit and loss calculation	-702
As at December 31, 2013	**5,210**

The deferred tax liabilities arise from deviations from the tax balance sheets. They are the result of the recognition and revaluation of intangible assets (€ 4,391 thousand), other financial assets (€ 528 thousand), orders in process (€ 120 thousand), property, plant and equipment (€ 87 thousand), other provisions (€ 75 thousand) and capital from profit participation rights and subordinated loans (€ 9 thousand). An explanation of the differences arising from the first inclusion of on line datensysteme GmbH in the consolidated financial statements can be found in section A.3.

In line with IAS 12.39, deferred tax liabilities are not recognized for temporary differences connected with shares in subsidiaries, which amount to € 21,301 thousand.

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

18. Pension provisions

This item only includes provisions for employee pensions (€ 110 thousand; 2012: € 123 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.

No significant risks associated with the defined benefit obligations are expected.

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

	2013 €'000	2012 €'000
Changes in pension obligation		
Defined benefit obligation (DBO) as at January 1	144	87
Service cost: present value of claims accrued in 2013	1	31
Actuarial gain/ loss	0	21
Interest cost	5	5
Additions / reversals	-40	0
Defined benefit obligation (DBO) as at December 31	**110**	**144**
Changes in plan assets		
Fair value of plan assets as at January 1	56	52
Expected return on plan assets	4	4
Fair value of plan assets as at December 31	**60**	**56**
Loss not yet recognized in the balance sheet	**0**	**-21**
Composition:		
Provisions for pensions	110	144
Other loans	-60	-56
Loss not yet recognized in the balance sheet	0	-21
	50	**67**

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

	Dec. 31, 2013 €'000	Dec. 31, 2012 €'000	Jan. 1, 2012 €'000
Defined benefit obligationg	110	144	87
Fair value of plan assets	60	56	52

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

	2013 %	2012 %
Interest rate	3.40	3.40
Expected return on plan assets	2.80	2.80
Salary trend	3.20	3.20
Pension trend	1.00	1.00
Staff turnover	1.50	1.50

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

	2013 €'000	2012 €'000
Current service costs	1	31
Acturial gain	0	0
Interest costs	5	5
Expected return on plan assets	-4	-4
	2	**32**

The expenses for pension payments in the fiscal year 2014 are expected to be € 3 thousand (2012: € 8 thousand).

19. Other non-current financial liabilities

Other non-current financial liabilities include rent obligations of € 675 thousand (2012: € 255 thousand), purchase price liabilities of € 584 thousand (2012: € 375 thousand) and debtors with a credit balance, amounting to € 485 thousand (2012: € 703 thousand).

20. Equity capital

Changes in the equity capital are shown in Annex 4.

Capital stock

The company's capital stock at December 31, 2013 was € 14,615,791 (2012: € 11,429,826), divided into 14,615,791 (2012: 11,429,826) notional no-par-value stocks.

Authorized and conditional capital

In conformity with the by-laws, the company's authorized capital stock totaled € 774,960 as at December 31, 2013. It was subdivided as follows:

A resolution passed at the general meeting of stockholders on June 22, 2010 authorizes the Executive Board to increase the capital stock 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 stocks for a cash or non-cash consideration. The stocks must be issued by June 20, 2015 and any issue of stocks is subject to the approval of the Supervisory Board.

The stockholders' statutory subscription rights may be excluded in the following cases:

a) if the company increases the capital stock by issuing stocks 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 capital stock by issuing stocks for a cash consideration, and the proportion of the capital stock accounted for by the new stocks for which subscription rights are excluded is not greater than 10 percent of the capital stock existing at the time the new stocks were issued; and if the issue price of the new stocks is not significantly lower than the stock market price of the stocks of the same securities class and nature that are already listed 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 capital stock accounted for by new or repurchased stocks issued or sold since June 22, 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 capital stock relating to option and/or conversion rights or obligations from bonds issued since June 22, 2010 in compliance with Section 186, paragraph 3, sentence 4 of this Act.

The Executive Board is also authorized to exclude fractional amounts from the stockholders' subscription right.

The Executive Board will determine the nature of the relevant rights conferred by the stocks and the other conditions of the stock issue (authorized capital 2010/I), subject to the approval of the Supervisory Board.

A resolution passed at the general meeting of stockholders on June 25, 2008 authorizes the Executive Board to increase the capital stock 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 stocks for a cash consideration. The stocks must be issued by June 24, 2013 and any issue of stocks is subject to the approval of the Supervisory Board. The Executive Board is authorized to exclude the stockholders' 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 capital stock by issuing stocks for a cash consideration, and the proportion of the capital stock accounted for by the new stocks, for which subscription rights are excluded, is not greater than 10 percent of the capital stock existing at the time the new stocks are issued; and if the issue price of the new stocks is not significantly lower than the stock market price of the stocks of the same securities class and nature that are already listed 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 capital stock accounted for by new or repurchased stocks issued or sold since June 25, 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 capital stock relating to option and/or conversion rights or obligations from bonds which have been issued since June 25, 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 stocks and the other conditions of the stock issue (authorized capital 2008/II), subject to the agreement of the Supervisory Board.

The Executive Board made use of the above authorizations in the fiscal year 2012 by using the authorized capital (2008/II) in full, as well as part of the authorized capital (2010/I). It passed a resolution, with the approval of the Supervisory Board, to increase the company's capital stock 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 stocks for a cash consideration. Each stock represents € 1 of the capital stock. Stockholders' statutory subscription rights were excluded. The capital stock was increased by the full amount of € 1,039,075 (equivalent to 1,039,075 new stocks) and entered in the commercial register at Munich Local Court (Amtsgericht) under commercial register no. HRB 192673 on November 13, 2012. The authorized capital (2010/I) resolved by the general meeting of stockholders on June 22, 2010 amounts to € 3,960,925 after partial use. No. 4 of the company's by-laws (capital stock, authorized capital) was amended by resolution of the Supervisory Board on October 25, 2012.

The Executive Board also made use of the above authorizations in the fiscal year 2013 by using part of the authorized capital (2010/I). It passed the following resolutions regarding capital increases, with the approval of the Supervisory Board:

It was decided that the company's capital stock should be increased by € 750,000 from € 11,429,826 to € 12,179,826 against non-cash contributions by issuing 750,000 new no-par-value bearer stocks. Each stock represents € 1 of the capital stock. There was no subscription right for existing stockholders. The capital stock was increased by the full amount of € 750,000 (equivalent to 750,000 new stocks) and the increase was recorded in the commercial register at Munich Local Court (Amtsgericht) under commercial register no. HRB 203845 on October 28, 2013. The authorized capital (2010/I) resolved by the general meeting of stockholders on June 20, 2010 amounts to € 3,210,925 after partial use. No. 4 of the company's by-laws (capital stock, authorized capital) was amended by resolution of the Supervisory Board on October 5, 2013.

It was also decided that the company's capital stock should be increased by up to € 2,435,965 from € 12,179,826 to a maximum of € 14,615,791 by issuing up to 2,435,965 new no-par-value bearer stocks against cash contributions. Each stock represents € 1 of the capital stock. Stockholders were granted indirect subscription rights. The capital stock was increased by the full amount of € 2,435,965 (equivalent to 2,435,965 new stocks) and the increase was recorded in the company's commercial register at Munich Local Court (Amtsgericht) under commercial register number HRB 203845 on December 9, 2013. The authorized capital (2010-I) resolved by the general meeting of stockholders on June 22, 2010 amounts to € 774,960 after partial use. No. 4 of the company's by-laws (capital stock, authorized capital) was amended by resolution of the Supervisory Board on December 5, 2013.

In accordance with the company's by-laws, the conditional capital at December 31, 2013 amounted to € 2,000,000. The details of the conditional capital are as follows:

The capital stock is increased conditionally by up to € 2,000,000 through the issue of up to 2,000,000 new notional no-par-value stocks. 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 authorized to issue up to June 17, 2017 by resolution of the general meeting of stockholders of June 18, 2013, exercise their conversion rights/obligations or their option rights. The new stocks will be issued at an option exercise price or conversion price to be determined in accordance with the above resolution. The new stocks will carry dividend rights from the beginning of the fiscal year for which, at the time of their issue, no resolution of the general meeting of stockholders has been passed on the appropriation of the net income for the year. The Executive Board is authorized 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 authorizations to issue bonds in the period between January 1 and December 31, 2013.

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

Net income

In accordance with the resolution of the general meeting of stockholders, a dividend of € 0.35 per stock (total € 4,000 thousand) was paid in 2013 from the net income made in the previous year.

21. Minority interests

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

22. Capital risk management

The group manages its capital with the aim of maximizing the return to stakeholders through the optimization 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 stocks, 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:

		Dec. 31, 2013	Dec. 31, 2012
Equity capital	€ million	162.9	80.8
Equity as a percentage of the total capital	percent	50.7	38.7
Borrowed capital	€ million	158.6	127.8
Borrowed capital as a percentage of the total capital	percent	49.3	61.3
Total capital (equity and borrowed capital)	€ million	321.5	208.6

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 the company's capital risk management policy.

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 GmbH, CANCOM Computersysteme GmbH, CANCOM a + d IT solutions GmbH and CANCOM (Switzerland) AG, less the cost centers of CANCOM GmbH allocated to the IT solutions segment. 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 NSG GmbH, CANCOM NSG GIS GmbH, CANCOM NSG SCS GmbH, CANCOM NSG ICP GmbH, on line Datensysteme GmbH, CANCOM physical infrastructure GmbH, acentrix GmbH, Glanzkinder GmbH, CANCOM GES Gesellschaft für elektronische Systeme mbH, CANCOM, Inc., Verioplan GmbH and the cost centers of CANCOM GmbH allocated to the IT solutions segment. 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	
	2013 €'000	2012 €'000	2013 €'000	2012 €'000
Germany	569,246	514,347	588,669	529,127
Outside Germany	44,547	43,733	25,124	28,953
Group	613,793	558,080	613,793	558,080

	Non-current assets	
	Dec. 31, 2012 €'000	Dec. 31, 2012 €'000
Germany	76,864	58,719
Outside Germany	1,873	1,923
Group	78,737	60,642

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 € 613,793 thousand, include order revenue of € 1,704 thousand calculated using the POC method.

2. Other operating income

The other operating income is made up of the following:

	2013 €'000	2012 €'000
Rent	36	35
Income not relating to the period	497	109
Government grants	440	472
Compensation	52	6
Other operating income	39	25
Total	**1,064**	**647**

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 fiscal year 2013 from availing of loans at a favorable interest rate. For more information see details on loans in sections C. 14 and C. 15.

3. Other own work capitalized

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

Other own work capitalized comprises the following:

	2013 €'000	2012 €'000
Capitalized development costs	146	224
Own work capitalized for acquired intangible assets	13	1,978
Own work capitalized for acquired tangible assets	248	311
Total	**407**	**2,513**

Research and development costs were not capitalized if they did not meet the criteria for recognition under IAS 38. They amounted to € 0.5 million (2012: € 0.5 million).

4. Personnel expenses

The personnel expenses consist of the following:

	2013 €'000	2012 €'000
Wages and salaries	104,927	95,342
Social security contributions	18,036	16,689
Pension expenses	261	332
Total	**123,224**	**112,363**

5. Other operating expenses

The other operating expenses consist of the following items:

	2013 €'000	2012 €'000
Office space costs	6,882	5,758
Insurance and other charges	722	706
Motor vehicle costs	4,968	4,165
Advertising costs	1,144	1,140
Stock exchange and entertainment costs	470	473
Hospitality and travelling expenses	3,679	3,202
Delivery costs	1,951	1,842
Third-party services	2,935	1,883
Repairs, maintenance, leasing	1,094	889
Communication and office expense	1,899	1,747
Professional development and training costs	1,332	1,412
Legal and consultancy expenses	1,083	965
Fees and charges; costs of money transactions	438	302
Other operating expenses	1,336	1,269
Total	**29,933**	**25,753**

6. Interest income and expenses

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

7. Income tax

The rate of income tax for the German companies was 30.52 percent (2012: 30.60 percent). This is made up of corporate 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:

	2013 €'000	2012 €'000
Earnings before tax	**21,423**	**18,879**
Expected tax expense at rate for German companies (30.52 percent; 2012: 30.60 percent)	**6,538**	**5,777**
- Difference from tax paid outside Germany	-7	25
- Change in value adjustment of deferred tax assets on loss carryforwards	126	0
- Tax-exempt income / non tax-relevant capital losses on disposals	57	15
- Actual income tax not relating to the period	-104	592
- Permanent differences: non-deductible operating expenses, as well as additions and reductions in relation to trade tax	362	196
- Effects of tax rate changes	-30	0
- Miscellaneous	-2	7
Total Group income tax	**6,940**	**6,612**

The actual tax rate is calculated as follows:

	2013 €'000	2012 €'000
Income before tax	21,423	18,879
Income tax	6,940	6,612
Actual tax expense rate	32.40%	35.02%

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

	2013 €'000	2012 €'000
Actual income tax paid	7,225	7,021
Deferred taxes		
Assets	-39	-486
Liabilities	-702	-13
	-741	-499
Deferred taxes recognised directly in equity	456	90
Group income tax	**6,940**	**6,612**

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 realizable 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 utilized are capitalized if results can be expected to be positive within the next four years. The deferred taxes are calculated on the basis of the tax rates expected to apply in the period in which an asset is realized 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 capital stock.

8. Discontinued operations

The impact of discontinued operations on the consolidated statement of income in the previous year was a loss of € 683 thousand.

This amount consists of income (including other operating income and income from equity investments) of € 2,517 thousand and expenditure of € 3,200 thousand, resulting in a pre-tax loss of € 683 thousand. There was no related income tax gain.

The discontinued operations in the previous year related to the sale of the equity interest in CANCOM Ltd, U.K. on March 16, 2012. The assets and liabilities of the company were no longer included in the consolidated accounts from this date.

9. Minority interests

Minority interests account for 49 percent of acentrix GmbH's net income (€ 181 thousand) and 51 percent of Glanzkinder GmbH's net loss (€ 227 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. There was an increase of € 3.09 million in the cash flow from ordinary activities in comparison with the previous year. The cash resources of € 77,733 thousand (2012: 44,638 thousand) include the cash and cash equivalents shown in the balance sheet. This comprises cash in hand and cash at banks.

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 stockholder 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 SE and its subsidiaries,
- PEN GmbH (until October 4, 2013),
- WFO Vermögensverwaltung GmbH,
- AURIGA Corporate Finance GmbH, SNP Schneider-Neureither & Partner AG (until April 30, 2013), and
- Dr. Vielberth Verwaltungsgesellschaft mbH.

The following level of remuneration was set for the Executive Board

The remuneration of the CEO, Klaus Weinmann, consisted of a fixed payment of € 524 thousand (2012: € 502 thousand), an annual bonus of € 667 thousand (2012: 561 thousand) and other remuneration components amounting to € 21 thousand (2012: € 20 thousand). His total remuneration was € 1,212 thousand (2012: € 1,083 thousand). The remuneration of the other Executive Board member, Rudolf Hotter, consisted of a fixed payment of € 349 thousand (2012: € 334 thousand), an annual bonus of € 334 thousand (2012: € 281) thousand and other remuneration components amounting to € 7 thousand (2012: € 5 thousand). His total remuneration was € 690 thousand (2012: € 620 thousand). The total remuneration of the Executive Board in the fiscal year 2013 was € 1,902 thousand (2012: € 1,703 thousand).

The Supervisory Board members received the following remuneration in the fiscal year 2013:

The remuneration of the Chairperson of the Supervisory Board, Walter von Szczytnicki, was € 90 thousand (2012: € 97 thousand). The remuneration of the Deputy Chairperson, Stefan Kober, was € 45 thousand (2012: € 49 thousand). Walter Krejci received € 25 thousand (2012: € 29 thousand), Regina Weinmann € 25 thousand (2012: € 24 thousand), Petra Neureither € 20 thousand (2012: € 24 thousand), Prof. Dr. Arun Chaudhuri € 14 thousand (2012: € 14 thousand) and Dr. Lothar Koniarski € 15 thousand (2012: € 0). Raymond Kober received € 15 thousand in 2012. The total remuneration of the Supervisory Board members in 2013 was € 234 thousand (2012: € 252 thousand).

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

The transaction volumes of goods sold and services provided to related parties under IAS 24 were as follows: AL-KO Kober SE and its subsidiaries purchased goods/services amounting to € 2,963 thousand (gross) (2012: € 2,414 thousand), of which € 184 thousand (2012: € 215 thousand) was outstanding at the balance sheet date. Goods/services purchased by PEN GmbH (until October 4, 2013) amounted to € 16 thousand (gross) (2012: € 0). This amount was paid in full by the balance sheet date. Goods/services purchased by WFO Vermögensverwaltung GmbH amounted to € 2 thousand (gross) (2012: € 0). This amount was paid in full by the balance sheet date.

The transaction volume of goods and services purchased from related parties under IAS 24 was € 2 thousand (gross) (2012: € 2 thousand), which had been paid in full by the balance sheet dates in 2012 and 2013 respectively. This amount relates to goods/services purchased from AL-KO Kober SE and its subsidiaries.

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

Stockholder	Number of shares	percent
Klaus Weinmann	185,270	1.2676
Stefan Kober	270,000	1.8473

3. Guarantees, 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	2014 €'000	2015 €'000	2016 €'000	2017 €'000	2018 €'000	later €'000	total €'000
under tenancy agreements	5,126	4,226	2,828	2,574	2,524	8,174	25,452
under leasing agreements	1,029	494	163	33	0	0	1,719
	6,155	**4,720**	**2,991**	**2,607**	**2,524**	**8,174**	**27,171**

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

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

5. Declaration of conformity with the German Corporate Governance Code

CANCOM SE made a statement of conformity in 2013 in accordance with Section 161 of the German Stock Companies Act (Aktiengesetz, AktG). This was published for the information of stockholders on the company's website at www.cancom.com on December 10, 2013.

6. Auditors' fees

The following fees (total fees plus expenses, excluding value-added tax) were charged in the fiscal year 2013 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:

	2013 €'000	2012 €'000
a) Financial statements	143	153*
b) Other audit-related services	105	0
c) Tax consultancy	0	3
d) Other services	54	43*

* thereof attributable to financial year 2012: € 14 thousand (2011: € 14 thousand)

Additional audit services were provided during the year under review, particularly in connection with the capital increase.

7. Employees

	2013	2012
Average over the year	2,226	2,040
At year-end	2,360	2,076

The average number of employees is divided between the following functions: professional services (1,531; 2012: 1,390), sales (379; 2012: 359), administration (204; 2012: 175), logistics and client services (51, 2012: 53), purchasing (35; 2012: 38), and marketing and product management (26; 2012: 25).

8. Details of equity interests in CANCOM SE

The company has the following details of equity interests subject to mandatory disclosure in accordance with Sections 21 ff. of the German Securities Trading Act (Wertpapierhandelsgesetz, WpHG):

On August 13, 2013, Allianz Global Investors Europe GmbH, Frankfurt, Germany, informed us that its share of the voting rights of CANCOM SE had exceeded the 5 percent threshold on August 12, 2013 and on that day amounted to 913,696 stocks, or 7.99 percent of the total voting rights.

On October 30, 2013, Mr. Heiko Sauer, Berlin, Germany, informed us that his share of the voting rights of CANCOM SE had exceeded the 3 percent threshold on October 28, 2013 and on that day amounted to 585,000 stocks, or 4.80 percent of the total voting rights.

On October 31, 2013, Allianz Global Investors Luxembourg S.A., Sennigerberg, Luxembourg, informed us that its share of the voting rights of CANCOM SE had fallen below the 5 percent threshold on October 28, 2013 and on that day amounted to 608,060 stocks, or 4.99 percent of the total voting rights.

9. Members of the Executive Board and Supervisory Board

The members of the Executive Board are:

- Klaus Weinmann, graduate in business administration (Diplom-Kaufmann), Aystetten, Germany (CEO)
- Rudolf Hotter, graduate in business economics (Diplom-Betriebswirt), Füssen, Germany

All members of the Executive Board have single power of representation Persons holding general commercial power of attorney (Prokura under German commercial law) are authorized to represent the company jointly with another Executive Board member or another person holding general commercial power of attorney.

The following members of the Executive Board are members of the supervisory boards of other companies:

- Herr Klaus Weinmann:
  - SNP Schneider-Neureither & Partner AG (until April 30, 2013)
- Herr Rudolf Hotter:
  - CANCOM NSG GmbH

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

- •Thomas Stark, graduate in industrial engineering (Diplom-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 SE, Kötz, Germany (Deputy Chairperson)
- Walter Krejci, managing director of AURIGA Corporate Finance GmbH, Munich, Germany
- Regina Weinmann, graduate in business administration (Diplom-Kauffrau), managing director of WFO Vermögensverwaltung GmbH, Aystetten, Germany
- Petra Neureither, graduate in economics (Diplom-Volkswirtin), managing director of PEN GmbH, Heidelberg, Germany (until October 4, 2013)
- Professor Dr. Arun Chaudhuri, graduate in industrial engineering (Diplom-Wirtschaftsingenieur), management consultant, Germany (until June 18, 2013)
- Dr. Lothar Koniarski, graduate in business administration (Diplom-Kaufmann), managing director of Dr. Vielberth Verwaltungsgesellschaft mbH, Regensburg, Germany (since June 18, 2013)

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

- Walter von Szczytnicki:
  - AL-KO Kober SE

10. Significant events after the reporting date

After the end of the additional acceptance period in the takeover offer to the stockholders of Pironet NDH Aktiengesellschaft on January 7, 2014, CANCOM SE's total share of the capital stock and voting rights of the company reached 74.85 percent. As it now holds the majority of the capital stock, CANCOM SE will include Pironet NDH Aktiengesellschaft in its consolidated financial accounts with effect from January 1, 2014.

CANCOM has acquired all the stocks of HPM Networks. The transaction is documented in a contract of sale dated February 27, 2014. Based in Pleasanton, California, HPM operates as a value-added reseller (VAR) in the cloud infrastructure environment and has long-standing relationships with partners such as HP, VMware Cisco, Microsoft, EMC and Palo Alto Networks, as well as big-name clients such as Twitter, Workday, GAP, Williams-Sonoma and Juniper Networks.

CANCOM SE intends to acquire all the shares of DIDAS Business Services GmbH, a wholly-owned subsidiary of Allgeier IT Solutions AG based in Langenfeld, Germany. DIDAS is an integrated IT systems provider with eight locations in Germany.

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 stockholders that the € 11,869,344.61 retained profit from the fiscal year 2013 be used for a dividend payment of € 0.40 per eligible notional no-par-value stock, 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 March 17, 2014.

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

Subsidiaries	Company's registered office	Stockholding (in percent)
1. CANCOM 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
• acentrix GmbH	Jettingen-Scheppach, Germany	51.0
2. CANCOM NSG GmbH	Munich, Germany	100.0
and its subsidiaries		
• CANCOM NSG GIS mbH	Jettingen-Scheppach, Germany	100.0
• CANCOM NSG SCS mbH	Munich, Germany	100.0
• CANCOM NSG ICP mbH	Munich, Germany	100.0
3. on line Datensysteme GmbH	Berlin, Germany	100.0
4. CANCOM physical infrastructure GmbH	Jettingen-Scheppach, Germany	100.0
5. Glanzkinder GmbH	Cologne, Germany	49.0
6. CANCOM GES Gesellschaft für elektronische Systeme mbH	Künzelsau, Germany	100.0
7. Verioplan GmbH	Munich, Germany	100.0
8. CANCOM, Inc.	Palo Alto / USA	100.0
9. CANCOM Financial Services GmbH	Jettingen-Scheppach, Germany	100.0
10. CANCOM VVM GmbH	Jettingen-Scheppach, Germany	100.0
Associated companies:		
1. Pironet NDH Aktiengesellschaft	Cologne, Germany	42.9

Munich, Germany, March 17, 2014

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.

München, den 17. März 2014

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, as well as the management report of CANCOM SE and the CANCOM Group for the financial year from 1 January to 31 December 2013. 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 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 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, 17 March 2014

S&P GmbH
Wirtschaftsprüfungsgesellschaft

Ulrich Stauber	Johann Dieminger
Certified auditor	Certified auditor

SE Company balance sheet as at December 31, 2013

ASSETS

	Dec. 31, 2013 €	Dec. 31, 2012 €
A. ASSETS		
I. Intangible assets		
Concessions, industrial property rights and other similar rights and values, as well as licenses to such rights and values	134,076.94	75,816.86
II. Property, plant and equipment		
1. Plant and machinery	135,246.54	157,605.67
2. Other plant, fixtures, fittings and equipment	526,780.35	609,335.79
	662,026.89	766,941.46
III. Financial assets		
1. Shares in affiliated companies and subsidiaries	59,245,891.55	40,229,050.14
2. Equity investments	29,275,094.95	0.00
	88,520,986.50	40,229,050.14
B. CURRENT ASSETS		
I. Accounts receivable and other assets		
1. Accounts receivable due from affiliated companies and subsidiaries	26,217,061.03	32,032,740.19
2. Other assets	388,101.75	50,628.96
	26,605,162.78	32,083,369.15
II. Cash in hand, cash deposited with the Bundesbank, cash at banks and checks	44,655,847.12	9,042,297.81
C. PREPAID EXPENSES/DEFERRED INCOME	60,550.61	56,481.40
	160,638,650.84	**82,253,956.82**

EQUITY AND LIABILITIES

	Dec. 31, 2013 €	Dec. 31, 2012 €
A. EQUITY CAPITAL		
I. Capital stock	14,615,791.00	11,429,826.00
II. Additional paid-in capital	96,896,231.56	27,366,591.56
III. Retained earnings		
1. Statutory reserves	6,665.71	6,665.71
2. Other reserves	28,590,339.46	25,181,068.21
	28,597,005.17	25,187,733.92
IV. Net income	11,869,344.61	7,409,710.35
	151,978,372.34	71,393,861.83
B. PROVISIONS		
1. Deferred taxes	186,835.00	1,573,990.72
2. Other provisions	1,677,449.00	1,823,196.00
	1,864,284.00	3,397,186.72
C. LIABILITIES		
1. Capital from profit participation rights and subordinated loans	4,388,100.00	4,800,600.00
2. Liabilities due to banks	1,716,538.34	2,192,729.41
3. Trade accounts payable	493,294.79	132,837.84
4. Other liabilities	184,167.37	321,263.02
	6,782,100.50	7,447,430.27
D. PREPAID EXPENSES/DEFERRED INCOME	13,894.00	15,478.00
	160,638,650.84	**82,253,956. 82**

Company income statement for the period from January 1, 2013 to December 31, 2013

	2013 €	2012 €
1. Sales revenues	7,809,195.38	8,129,683.00
2. Other operating income	2,102,155.57	1,311,463.33
3. Personnel expenses		
a) Wages and salaries	-4,487,926.49	-4,086,080.53
b) Social security, pension and other benefit costs	-412,745.70	-372,033.84
	-4,900,672.19	-4,458,114.37
4. Depreciation and amortization:		
a) on intangible and tangible fixed assets	-177,871.73	-183,065.10
b) on current assets, where the amount is in excess of the depreciation normal in a joint-stock company	0.00	-242,815.33
	-177,871.73	-425,880.43
5. Other operating expenses	-3,510,058.94	-3,576,120.42
6. Income from equity investments	0.00	500,000.00
7. Profits gained on the basis of a profit transfer agreement	17,552,247.81	11,082,062.14
8. Other interest and similar income	714,223.73	683,138.53
9. Depreciation on investments	-139,045.00	0.00
10. Interest and similar expenses	-510,113.37	-1,247,559.18
11. Profit / loss from ordinary activities	**18,940,061.26**	**11,998,672.60**
12. Extraordinary expenses	-1,492,887.07	-299,357.65
13. Extraordinary profit/loss	-1,492,887.07	-299,357.65
14. Taxes on income	-5,574,083.51	-4,270,504.51
15. Other taxes	-3,746.07	-19,100.09
16. Net profit for the year	**11,869,344.61**	**7,409,710.35**
17. Net profit carried forward	7,409,710.35	11,235,102.96
18. Transfer to other revenue reserves	-3,409,271.25	-8,117,877.66
19. Dividend payment	-4,000,439.10	-3,117,225.30
20. Retained profit	**11,869,344.61**	**7,409,710.35**


CANCOM

Statement of changes in fixed assets

	ACQUISITION/ MANUFACTURING COSTS			
	Balances at Jan. 1, 2013 €	**Additions 2013 €**	**Disposals 2013 €**	**Balance as at Dec. 31, 2013 €**
I. Intangible assets				
Concessions, industrial property rights and similar rights and values as well as licenses thereto	96,423.11	66,532.92	27,019.09	135,936.94
	96,423.11	66,532.92	27,019.09	135,936.94
II. Property, plant and equipment				
1. Technical equipment and machinery	481,010.32	0.00	140,011.98	340,998.34
2. Other plant, fixtures, fittings and equipment	1,024,039.35	64,684.32	103,052.17	985,671.50
	1,505,049.67	64,684.32	243,064.15	1,326,669.84
III. Financial assets				
1. Shares in subsidiaries and affiliated companies	40,999,978.14	18,393,979.64	9,021.23	59,384,936.55
2. Equity investments	0.00	29,275,094.95	0.00	29,275,094.95
	40,999,978.14	47,669,074.59	9,021.23	88,660,031.50
Total	**42,601,450.92**	**47,800,291.83**	**279,104.47**	**90,122,638.28**

DEPRECIATION AND AMORTIZATION					CARRYING AMOUNTS	
Balance as at Jan. 1, 2013 €	**Additions 2013 €**	**Reversals of write-downs 2013 €**	**Disposals 2013 €**	**Balance as at Dec. 31, 2013 €**	**Balance as at Dec. 31, 2013 €**	**Balance as at Dec. 31, 2012 €**
20,606.25	8,272.84	0.00	27,019.09	1,860.00	134,076.94	75,816.86
20,606.25	8,272.84	0.00	27,019.09	1,860.00	134,076.94	75,816.86
323,404.65	22,359.13	0.00	140,011.98	205,751.80	135,246.54	157,605.67
414,703.56	147,239.76	0.00	103,052.17	458,891.15	526,780.35	609,335.79
738,108.21	169,598.89	0.00	243,064.15	664,642.95	662,026.89	766,941.46
770,928.00	139,045.00	770,928.00	0.00	139,045.00	59,245,891.55	40,229,050.14
0.00	0.00		0.00	0.00	29,275,094.95	0.00
770,928.00	139,045.00	770,928.00	0.00	139,045.00	88,520,986.50	40,229,050.14
1,529,642.46	**316,916.73**	**770,928.00**	**270,083.24**	**805,547.95**	**89,317,090.33**	**41,071,808.46**

NOTES TO THE COMPANY ACCOUNTS for the fiscal year 2013

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) and Council Regulation (EC) Directive 2157/2001 on the Statute of a European Company (SE).

B. Accounting and valuation principles

Intangible assets

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

Property, plant and equipment

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

A useful life of between 3 and 14 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 January 1, 2008, assets with acquisition costs of between € 150 and € 1,000 are capitalized in a collective item. All assets for the whole year are accumulated in this collective item and depreciated over five years by the straight-line method.

Investments

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

Accounts receivable and other assets

Accounts receivable and other assets are carried at their nominal value and, where applicable, at fair 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 recognized at their settlement values.

Deferred taxes

If a tax burden is expected overall in future fiscal years, a surplus of deferred tax liabilities is recognized for the differences between the financial and tax recognition of assets, liabilities and prepaid expenses/deferred income, taking into consideration allowable losses. If a future tax benefit is expected overall, the company does not recognize 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 income 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 fiscal year in which the temporary differences in measurement are reversed, provided that the future tax rates are already known. The income tax rate is 30.6 percent (2012: 30.3 percent) and consists of corporate tax and trade tax as well as the solidarity surcharge. The slight increase in the income tax rate compared with the previous year 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. Accounts payable and receivable with a remaining term to maturity of less than one year are converted at the average spot rate on the reporting date in line with Section 256a of the German Commercial Code (Handelsgesetzbuch, HGB). Accounts payable with a remaining term to maturity of more than one year are converted at the higher 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 rate on the reporting date, where applicable. This can give rise to gains or losses from exchange rate fluctuations.

C. Explanations and disclosures concerning individual balance sheet items

Fixed assets

Changes in fixed assets are shown in the statement of changes in fixed assets (page 104-105).

For the composition of the financial assets and the net incomes for the year of the subsidiaries, please see the statement of stockholdings in companies (page 114).

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 €26,217 thousand (2012: € 32,033 thousand). These relate to CANCOM GmbH (formerly CANCOM Deutschland GmbH) (€ 16,688 thousand; 2012: € 8,375 thousand), CANCOM NSG GmbH (€ 5,871 thousand; 2012: € 15,727 thousand), CANCOM Computersysteme GmbH (€ 1,681 thousand; 2012: € 1,615 thousand), Glanzkinder GmbH (€ 1,005 thousand; 2012: € 502 thousand), CANCOM NSG GIS GmbH (€ 789thousand; 2012: € 4 thousand), CANCOM NSG ICP GmbH (€ 142 thousand; 2012: € 14 thousand), CANCOM, Inc. (€ 28 thousand; 2012: € 0), CANCOM a + d IT solutions GmbH (€ 4 thousand; 2012: € 72 thousand), acentrix GmbH (€ 4 thousand; 2012: € 697 thousand), CANCOM physical infrastructure GmbH (€ 4 thousand; 2012: € 401 thousand) and CANCOM NSG SCS GmbH (€ 1 thousand; 2012: € 1 thousand). In 2012, accounts receivable from CANCOM cloud solutions GmbH (€ 3,736 thousand) and CANCOM IT Solutions GmbH (€ 889 thousand) were also included.

Of the accounts receivable from subsidiaries and affiliated companies, loans account for € 7,681 thousand (2012: € 18,875 thousand), other current assets € 16,100 thousand (2012: € 8,555 thousand) and trade accounts receivable € 2,436 thousand (2012: €4,603 thousand).

Capital stock

As at December 31, 2013, the company's capital stock was € 14,615,791 (2012: € 11,429,826), divided into 14,615,791 notional no-par-value bearer stocks (2012: 11,429,826).

Authorized and conditional capital

In conformity with the by-laws, the company's authorized capital stock totaled € 774,960 as at December 31, 2013, and it was subdivided as follows:

A resolution passed at the general meeting of stockholders on June 22, 2010 authorizes the Executive Board to increase the capital stock 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 stocks for a cash or non-cash consideration. The stocks must be issued by June 20, 2015 and any issue of stocks is subject to the approval of the Supervisory Board.

The stockholders' statutory subscription rights may be excluded in the following cases:

a) if the company increases the capital stock by issuing stocks 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 capital stock by issuing stocks for a cash consideration, and the proportion of the capital stock accounted for by the new stocks, for which subscription rights are excluded, is not greater than 10 percent of the capital stock existing at the time the new stocks were issued; and if the issue price of the new stocks is not significantly lower than the stock market price of the stocks of the same securities class and nature that are already listed 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 capital stock accounted for by new or repurchased stocks issued or sold since June 22, 2010 with the simplified exclusion of subscription rights in line with Section 186, paragraph 3, sentence 4 of the German Stock Companies Act, as well as the proportion of the capital stock relating to option and/or conversion rights or obligations from bonds issued since June 22, 2010 in compliance with Section 186, paragraph 3, sentence 4 of this Act.

The Executive Board is also authorized to exclude fractional amounts from the stockholders' subscription right.

The Executive Board will determine the nature of the relevant rights conferred by the stocks and the other conditions of the stock issue (authorized capital 2010/I), subject to the approval of the Supervisory Board.

A resolution passed at the general meeting of stockholders on June 25, 2008 authorizes the Executive Board to increase the capital stock 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 stocks for a cash consideration. The stocks must be issued by June 24, 2013 and any issue of stocks is subject to the approval of the Supervisory Board. The Executive Board is authorized to exclude the stockholders' 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 capital stock by issuing stocks for a cash consideration, and the proportion of the capital stock accounted for by the new stocks, for which subscription rights are excluded, is not greater than 10 percent of the capital stock existing at the time the new stocks are issued; and if the issue price of the new stocks is not significantly lower than the stock market price of the stocks of the same securities class and nature that are already listed 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 capital stock accounted for by new or repurchased stocks issued or sold since June 25, 2008 with the simplified exclusion of subscription rights in line with Section 186, paragraph 3, sentence 4 of the German Stock Companies Act, as well as the proportion of the capital stock relating to option and/or conversion rights or obligations from bonds which have been issued since June 25, 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 stocks and the other conditions of the stock issue (authorized capital 2008/II), subject to the agreement of the Supervisory Board.

The Executive Board made use of the above authorizations in the fiscal year 2012 by using the authorized capital (2008/II) in full, as well as part of the authorized capital (2010/I). It passed a resolution, with the approval of the Supervisory Board, to increase the capital stock 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 stocks for a cash consideration. Each stock represents € 1 of the capital stock. Stockholders' statutory subscription rights were excluded. The capital stock was increased by the full amount of € 1,039,075 (equivalent to 1,039,075 new stocks) and entered in the commercial register at Munich Local Court (Amtsgericht, commercial register no. HRB 192673, on November 13, 2012. The authorized capital (2010/I) resolved by the general meeting of stockholders on June 22, 2010 amounts to € 3,960,925 after partial use. No. 4 of the company's by-laws (capital stock, authorized capital) was amended by resolution of the Supervisory Board on October 25, 2012.

The Executive Board also made use of the above authorizations in the fiscal year 2013 by using part of the authorized capital (2010-I). It passed the following resolutions regarding capital increases, with the approval of the Supervisory Board:

It was decided that the company's capital stock should be increased by € 750,000 from € 11,429,826 to € 12,179,826 against non-cash contributions by issuing 750,000 new no-par-value bearer stocks. Each stock represents € 1 of the capital stock. There was no subscription right for existing stockholders. The capital stock was increased by the full amount of € 750,000 (equivalent to 750,000 new stocks) and the increase was recorded in the commercial register at Munich Local Court (Amtsgericht), commercial register no. HRB 203845, on October 28, 2013. The authorized capital 2010-I resolved by the general meeting of stockholders on June 20, 2010 amounts to € 3,210,925 after partial use. No. 4 of the company's by-laws (capital stock, authorized capital) was amended by resolution of the Supervisory Board on October 5, 2013.

It was also decided that the company's capital stock should be increased by up to € 2,435,965 from € 12,179,826 to a maximum of € 14,615,791 by issuing up to 2,435,965 new no-par-value bearer stocks against cash contributions. Each stock represents € 1 of the capital stock. Stockholders were granted indirect subscription rights. The capital stock was increased by the full amount of € 2,435,965 (equivalent to 2,435,965 new stocks) and the increase was recorded in the company's commercial register at Munich Local Court (Amtsgericht), commercial register no. HRB 203845, on December 9, 2013. The authorized capital (2010-I) resolved by the general meeting of stockholders on June 22, 2010 amounts to € 774,960 after partial use. No. 4 of the company's by-laws (capital stock, authorized capital) was amended by resolution of the Supervisory Board on December 5, 2013.

In accordance with the company's by-laws, the conditional capital at December 31, 2013 amounted to € 2,000,000. The details of the conditional capital are as follows:

The capital stock is increased conditionally by up to € 2,000,000 through the issue of up to 2,000,000 new notional no-par-value stocks. 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 authorized to issue up to June 17, 2017 by resolution of the general meeting of stockholders of June 18, 2013, exercise their conversion rights/obligations or their option rights. The new stocks will be issued at an option exercise price or conversion price to be determined in accordance with the above resolution. The new stocks will carry dividend rights from the beginning of the fiscal year for which, at the time of their issue, no resolution of the general meeting of stockholders has been passed on the appropriation of the net income for the year. The Executive Board is authorized 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 authorizations to issue bonds in the period between January 1 and December 31, 2013.

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

Capital reserves

The capital reserves consist of the following:

	2013 €'000	2012 €'000
Capital reserves at January 1	27,367	16,976
Increase in capital stock (Section 272, paragraph 2, no. 1 of the German Commercial Code – HGB)	69,529	10,391
Capital reserves	**96,896**	**27,367**

Other revenue reserves

The other revenue reserves consist of the following:

	2013 €'000	2012 €'000
Other revenue reserves at January 1	25,181	17,063
Transfer of retained profit	3,409	8,118
Other revenue reserves	**28,590**	**25,181**

Retained profit

Retained profit consists of the following:

	2013 €'000	2012 €'000
Amount brought forward at January 1, 2013	7,410	11,235
Dividend distribution	-4,000	-3,117
Transfer to other revenue reserves	-3,409	-8,118
Net income for the year	11,869	7,410
Retained profit	**11,869**	**7,410**

Provisions

The other provisions are mainly for bonus payments (€ 1,067 thousand; 2012: € 940 thousand), emoluments to Supervisory Board members (€ 198 thousand; 2012: € 200 thousand), outstanding invoices (€ 148 thousand; 2012: € 248 thousand), financial statements and audit fees (€ 75 thousand; 2012: € 141 thousand), benefit from rent-free period (€ 47 thousand; 2012: € 19 thousand), variable salary components (€ 36 thousand; 2012: € 39 thousand), future tax audits (€ 33 thousand; 2012: € 25 thousand), impending losses from pending transactions (€ 20 thousand; 2012: € 15 thousand), severance payments (€ 16 thousand; 2012: € 58 thousand), holiday entitlements (€ 16 thousand; 2012: € 14 thousand) and printing costs for the annual financial statements (€ 12 thousand; 2012: € 12 thousand). In 2012, provisions of € 105 thousand were also included for interest on additional tax demands.

Liabilities

For a breakdown of liabilities, please see the statement of liabilities (Annex 3, page 15).

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

Mezzanine capital of € 4,000,000 was granted under a mezzanine capital agreement of December 27, 2007 between CANCOM SE and Bayern Mezzaninekapital GmbH & Co. KG. The funds were paid out on December 31, 2007. Two partial repayments of € 1,000,000 each were made on December 30, 2011 and December 21, 2012. The remaining mezzanine capital of € 2,000,000 is due to be repaid in full by December 31, 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).

A loan of € 1,995,600 from Stadtsparkasse Augsburg was granted in tranches of € 1,500,000 on September 23, 2009 and € 495,600 on December 8, 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 December 30, 2016.

A loan of € 392,500 from Stadtsparkasse Augsburg was granted on December 8, 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 December 30, 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 2013 mainly consist of group allocations (€ 7,801 thousand; 2012: € 8,130 thousand).

Other operating income includes income not relating to the period, amounting to € 45 thousand (2012: € 7 thousand). This includes income from the reversal of provisions (€ 36 thousand; 2012: € 7 thousand) and commission income from the previous year (€ 9 thousand; 2012: € 0).

Profits based on a profit transfer agreement consists of CANCOM GmbH's net income for the year (€ 16,020 thousand; 2012: € 8,139 thousand) and that of CANCOM NSG GmbH (€ 1,532 thousand; 2012: € 2,943 thousand), which were transferred to CANCOM SE.

Interest and similar income comprises interest income of € 678 thousand (2012: € 573 thousand) from affiliated companies.

Extraordinary profit/ loss consists of non-recurring expenses from the increase in capital stock, amounting to € 1,493 thousand (2012: € 299 thousand).

E. Other disclosures

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

In 2007 the business premises were sold in a sale and lease-back agreement to improve liquidity and optimize the condition of the balance sheet. Information regarding the risks connected with this agreement can be found in the section headed 'Other financial obligations'.

STATEMENT OF COMPANY LIABILITIES

	Remaining term		
	up to 1 year €	over 1 year €	over 5 years €
1. Profit participation rights and subordinated loans	0.00	3,791,081.00	597,019.00
2. Liabilities to banks	298,615.34	1,194,064.00	223,859.00
3. Trade accounts payable	493,294.79	0.00	0.00
4. Other liabilities	184,167.37	0.00	0.00
(of which taxes)	*75,869.29*	*0.00*	*0.00*
(of which social security contributions)	*0.00*	*0.00*	*0.00*
	976,077.50	**4,985,145.00**	**820,878.00**

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

In the fiscal year 2013 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 capitalize 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, 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 2014 €'000	total €'000
Tenancy agreements	898	6,721
Lease agreements	35	42
of which from affiliated companies	1	1

Guarantees and other commitments

As at the reporting date, there are guarantees for CANCOM GmbH (€ 11,642 thousand; 2012: € 11,642 thousand), CANCOM NSG GmbH (€ 3,692 thousand; 2012: € 3,692 thousand), on line Datensysteme GmbH (€ 3,000 thousand; 2012: € 0), CANCOM physical infrastructure GmbH (€ 150 thousand; 2012: € 150 thousand) and a joint guarantee of € 200 thousand (2012: € 200 thousand) for CANCOM GmbH (the guarantee originally related to CANCOM IT Solutions GmbH, which has since been merged into CANCOM GmbH along with CANCOM cloud solutions GmbH), CANCOM physical infrastructure GmbH, CANCOM NSG GIS GmbH, CANCOM NSG SCS GmbH, CANCOM NSG ICP GmbH and acentrix GmbH.

	Dec. 31, 2013 €'000	Dec. 31, 2012 €'000
Joint and severe liabilty for financial guarantees and other loans	2,067	562

The guarantees, which amount to € 2,067 thousand (2012: € 562 thousand) relate entirely to affiliated companies.

CANCOM SE only gives guarantees or other commitments after careful assessment of the risks, and strictly only in respect of its own affiliated companies, or companies that engage in related business activities. Based on the company's continuous assessment of the risk situation regarding the guarantees or other commitments it has given, 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 guarantees are based can be fulfilled by the principal debtors. CANCOM SE therefore assesses the likelihood of a loss on any of the guarantees listed as remote.

Dec. 31, 2013 €	Dec. 31, 2012 €	Secured by lien or similar rights €	Type
4,388,100.00	4,800,600.00		
1,716,538.34	2,192,729.41	2,000,744.97	Assignment of motor vehicle as security
493,294.79	132,837.84	0.00	
184,167.37	321,263.02	0.00	
75,869.29	*234,506.14*		
0.00	*0.00*		
6,782,100.50	**7,447,430.27**	**2,000,744.97**	

Management

The members of the Executive Board are:

- Klaus Weinmann, graduate in business administration (Diplom-Kaufmann) Aystetten, Germany (CEO)
- Rudolf Hotter, graduate in business economics (Diplom-Betriebswirt), Füssen, Germany

All members of the Executive Board have sole power of representation. Persons holding general commercial power of attorney (Prokura) under German commercial law) are authorized to represent the company jointly with another Executive Board member or another person holding general commercial power of attorney.

The following members of the Executive Board are on the supervisory boards of other companies:

- Klaus Weinmann:
  - SNP Schneider-Neureither & Partner AG (until April 30, 2013)
- Rudolf Hotter:
  - CANCOM NSG GmbH

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

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

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 SE, Kötz, Germany (Deputy Chairperson)
- Walter Krejci, managing director of AURIGA Corporate Finance GmbH, Munich, Germany
- Regina Weinmann, graduate in business administration (Diplom-Kauffrau), managing director of WFO Vermögensverwaltung GmbH, Aystetten, Germany
- Petra Neureither, graduate in economics (Diplom-Volkswirtin), managing director of PEN GmbH, Heidelberg, Germany (until October 4, 2013)
- Professor Dr. Arun Chaudhuri, graduate in industrial engineering (Diplom-Wirtschaftsingenieur), management consultant, Munich, Germany (until June 18, 2013)
- Dr. Lothar Koniarski, graduate in business administration (Diplom-Kaufmann), managing director of Dr. Vielberth Verwaltungsgesellschaft mbH, Regensburg, Germany (since June 18, 2013)

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

- Walter von Szczytnicki:
  - AL-KO Kober SE

Transactions with related parties

A profit participating loan (partiarisches Darlehen) of up to € 1,000 thousand has been agreed with Glanzkinder GmbH. The loan has an agreed term of nine years and a carrying amount of € 1,000 thousand as at December 31, 2013. A variable payment has been agreed in addition to the fixed interest rate of 2 percent.

Employees

The average number of employees working for the company during 2013 was 64. This includes part-time employees but excludes 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 2013 and then published for the information of the stockholders 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 2013 amounted to € 1,902 thousand (2012: 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 2013.

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 2013 amounted to € 234 thousand (2012: 252 thousand).

Details of equity interests in CANCOM SE

The company has the following details of equity interests subject to mandatory disclosure in accordance with Sections 21 ff. of the German Securities Trading Act (Wertpapierhandelsgesetz, WpHG):

On August 13, 2013, Allianz Global Investors Europe GmbH, Frankfurt, Germany, informed us that its share of the voting rights of CANCOM SE had exceeded the 5 percent threshold on August 12, 2013 and on that day amounted to 913,696 stocks, or 7.99 percent of the total voting rights.

On October 30, 2013, Mr. Heiko Sauer, Berlin, Germany informed us that his share of the voting rights of CANCOM SE had exceeded the 3 percent threshold on October 28, 2013 and on that day amounted to 585,000 stocks, or 4.80 percent of the total voting rights.

On October 31, 2013, Allianz Global Investors Luxembourg S.A., Sennigerberg, Luxembourg, informed us that its share of the voting rights of CANCOM SE had fallen below the 5 percent threshold on October 28, 2013 and on that day amounted to 608,060 stocks, o

Proposal for the appropriation of retained profit

The Executive Board has resolved to propose to the Supervisory Board and the general meeting of stockholders that the retained profit of € 11,869,344.61 for the fiscal year 2013 be used for a dividend payment of € 0.40 per eligible notional no-par-value stock and that the balance of the retained profit remaining after the dividend payment be transferred to other reserves.

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, March 17, 2014

Klaus Weinmann   Rudolf Hotter

Member of the 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.

München, den März 17, 2014

Klaus Weinmann   Rudolf Hotter

Executive Board of CANCOM SE

STATEMENT OF STOCKHOLDINGS

Name and redistered seat of company	Stockholding as a percentage	Equity capital as at Dec. 31, 2013 €'000	Net income for 2013 €'000
Equity investment of more than 20 percent			
1. CANCOM GmbH, Jettingen-Scheppach, Germany	100.0	17,192	0 *
2. CANCOM NSG GmbH, Munich, Germany	100.0	3,261	0 *
3. on line Datensysteme GmbH, Berlin, Germany	100.0	4,723	4,974
4. CANCOM physical infrastructure GmbH, Jettingen-Scheppach, Germany	100.0	641	337
5. acentrix GmbH, Jettingen-Scheppach, Germany	51.0 [A]	459	391
6. CANCOM NSG GIS GmbH, Jettingen-Scheppach, Germany	100.0 [B]	748	555
7. CANCOM NSG SCS GmbH, Munich, Germany	100.0 [B]	245	122
8. CANCOM NSG ICP GmbH, Munich, Germany	100.0 [B]	830	401
9. CANCOM GES Gesellschaft für elektronische Systeme mbH, Künzelsau, Germany	100.0	624	52
10. Glanzkinder GmbH, Cologne, Germany	49.0	-424	-449
11. Verioplan GmbH, Munich, Germany	100.0	33	8
12. CANCOM Financial Services GmbH, Jettingen-Scheppach, Germany	100.0	94	-1
13. CANCOM VVM GmbH, Jettingen-Scheppach, Germany	100.0	24	0
14. CANCOM Computersysteme GmbH, Graz, Austria	100.0 [A]	1,257	-80
15. CANCOM a+d IT solutions GmbH, Perchtoldsdorf, Austria	100.0 [C]	1,147	117
16. CANCOM (Switzerland) AG, Caslano, Switzerland	100.0 [A]	0 [1]	0
17. CANCOM, Inc., Palo Alto, USA	100.0	378 [2]	15
18. Pironet NDH Aktiengesellschaft, Cologne, Germany	42.9	29,017	2,123
19. PIRONET NDH Datacenter AG & Co. KG, Hamburg, Germany	42.9 [D]	3,068 [3]	3,659
20. Pironet NDH Enterprise Solutions GmbH, Cologne, Germany	42.9 [D]	126	-16
21. Imperia AG, Cologne, Germany	42.9 [D]	6,554	805
22. PIRONET NDH EDI-Services GmbH, Cologne, Germany	42.9 [D]	-492	529
23. PIRONET NDH LLC, Atlanta, USA	42.9 [D]	0	0
24. PIRONET NDH Beteiligungs GmbH, Cologne, Germany	42.9 [D]	25	0
25. zelect GmbH i.L., Karlsruhe, Germany	30.0 [D]	-761 [4]	0
		68,769	**13,542**

A) Indirect stockholding through CANCOM GmbH
B) Indirect stockholding through CANCOM NSG GmbH
C) Indirect stockholding through CANCOM Computersysteme GmbH
D) Indirect stockholding through Pironet NDH Aktiengesellschaft

1) Conversion at reporting date: CHF 1 = EURO 1,23
2) Conversion at reporting date: USD 1 = EURO 1,38
3) Prior to crediting to the partnership account
4) Cancelled from the commercial register as at June 5, 2013; in subsequent liquidation as of October 2, 2013

* Profit transfer agreement with 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, 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 2013. 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, 17 March 2014

S&P GmbH
Wirtschaftsprüfungsgesellschaft

Ulrich Stauber	Johann Dieminger
Certified auditor	Certified auditor

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CANCOM SE financial calendar

IMPORTANT DATES

Interim report Q1/2014	13 May 2014
Annual General Meeting in Munich, Germany Location: Haus der Bayerischen Wirtschaft Max-Joseph-Straße 5 80333 Munich, Germany	25 June 2014
Interim report Q2/2014	07 August 2014
Interim report Q3/2014	11 November 2014
Analysts' Conference at the German Equity Forum in Frankfurt, Germany Start: Time is not yet determined Location: Congress Center of Messe Frankfurt Ludwig-Erhard-Anlage 1 60327 Frankfurt , Germany	24 - 26 November 2014

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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