2014

ANNUAL REPORT
CANCOM SE

CANCOM

Group key figures

CANCOM GROUP (IN € MILLION)

	2014	2013	2012	2011	2010
Sales revenues	828.9	613.8	558.1	544.4	474.6
Gross profit	257.7	186.5	166.2	159.3	142.9
EBITDA adjusted	54.6*	33.1	28.1	25.0	19.0
EBITDA margin adjusted in %	6.6 %*	5.4 %	5.0 %	4.6 %	4.0 %

* Adjusted for one-off effects of EUR 2.9 million. They include costs due to acquisitions, restructuring costs at Group companies and one-time effects from disposal activities of former subsidiaries.

	2014	2013	2012	2011	2010
EBITA adjusted	42.5*	25.3	22.2	21.3	16.1
Earnings per stock from discontinued operations adjusted (basic) in EUR	1.91 €**	1.22 €	1.15 €	1.14 €	0.92 €

** Adjusted for one-off effects named above and amortizations for purchase price allocation (ppa).

	2014	2013	2012	2011	2010
Balance sheet	439.3	319.6	208.6	194.9	177.4
Equity	193.8	162.7	80.8	60.9	51.0
Equity ratio in %	44.1 %	50.9 %	38.7 %	31.2 %	28.7 %
Cash and cash equivalents as at December 31	114.3	77.7	44.6	44.4	31.5
Employees as at December 31	2,909	2,360	2,076	2,044	1,943

Amortization effects from purchase price allocation (ppa)

The earnings per stock (EPS) according to the consolidated statement of income is negatively affected by amortizations pursuant to IFRS for purchase price allocation (ppa) and "as if" adjusted.

Amortizations result from acquisitions, are non-cash and decline over time. That will lead to a relative improvement of earnings per stock in the future.

IFRS amortizations from purchase price allocation (PPA)

Year	as-if adjustment for earnings per stock (in €)
2013	0.11
2014	0.50
2015	0.38
2016	0.28
2017	0.19
2018	0.12
2019	0.08
2020	0.05

At a glance

Year	Revenues 2010-2014 (in € million)
2010	474.6
2011	544.4
2012	558.1
2013	613.8
2014	828.9

Year	Gross profit 2010-2014 (in € million)
2010	142.9
2011	159.3
2012	166.2
2013	186.5
2014	257.7

Year	EBITDA adjusted 2010-2014 (in € million)
2010	19.0
2011	25.0
2012	28.1
2013	33.1
2014	54.6

Year	Earnings per stock adjusted 2010-2014 (in €)
2010	0.92
2011	1.14
2012	1.15
2013	1.22
2014	1.91

EBITDA margin adjusted

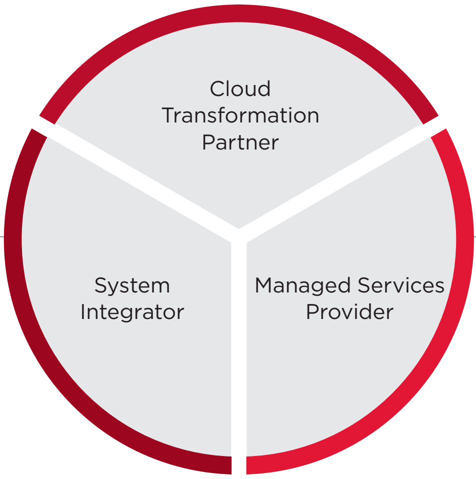
2010	2011	2012	2013	2014
4,0 %	4.6 %	5.0 %	5.4 %	6.6 %

Employees

2010	2011	2012	2013	2014
1.943	2,044	2,076	2,360	2,909

We are CANCOM

Founded in
1992



More than
2,900
employees

828 Mio. Euro
Group revenues

TecDax
One of the top 30 german high tech companies

We are focused

on profitable and strong growing market segments

- IT SOLUTIONS
- CONSULTING
- MANAGED SERVICES

on basic IT trends

- CLOUD COMPUTING
- MOBILITY
- SECURITY

on revolving business

- RECURRING REVENUES

We face the challenges

IT is being challenged in ways that we haven't seen in the last 15 years.
Speed and flexibility is key. We are partner for enterprises to transform
into a NEW STYLE OF IT to enable business growth and new revenue opportunities.

We are „Early Mover“ in cloud business

With comprehensive BUSINESS CLOUD SOLUTIONS PORTFOLIO.

With own developed PRIVATE CLOUD REFERENCE ARCHITECTURE.

With over 500 existing BUSINESS CLOUD CUSTOMERS.

Awarded CLOUD LEADER since 2010.

Cloud Leader 2014
Germany
experton
GROUP

37 %
of group EBITDA comes from cloud business

BUSINESS
CLOUD®

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Dear Stockholders,

CANCOM coped well with the challenges of the market in 2014. We have expanded further as a group and consolidated our position further, particularly in the up-and-coming areas of IT. The increasing digitization and networking of companies and industries are causing profound changes, especially in work and social environments, and are influencing trends such as cloud computing, big data and security. We are witnessing how IT is becoming a business enabler and a driving force for innovation. CANCOM is very well placed for the role of cloud transformation partner for companies – as demonstrated impressively by the Group's business performance over the past year. Our strong and profitable growth has led to our being selected as EMEAR Overall Partner of the Year by Canalys, a major international IT consulting and analysis company, from all the nominated IT systems providers throughout Europe. The award recognizes the Group's consistently good work in partnership with manufacturers and distributors across all areas.

CANCOM is now probably the most successful German integrated systems provider offering companies support in converting to cloud computing. A major driver of our success is mobility, which influences the way we work and communicate today. According to market research experts at Experton Group, the mobility trend will continue across a broader range of companies in 2015, encouraging further growth in the market for solutions and services. Experton's Mobile Enterprise Leader Award recognizes our highly attractive products and services portfolio in the area of enterprise mobility, in addition to our excellent market position and competitive strength. In the summer, our comprehensive and sophisticated cloud solutions portfolio earned us the title of Cloud Leader for the second consecutive year.

In our view, many companies are still just beginning their transformation to cloud computing. This means not only that the market volume is very large, but also that the changes in the IT environment should continue through the next few years, resulting in good growth prospects for us both in Germany and internationally. There are opportunities for CANCOM, for instance, offered by our U.S. subsidiary CANCOM HPM Networks, which has good market, partner and client access, and therefore provides a good platform for positioning our business cloud portfolio both with existing clients and with prospective clients in the United States.

As in previous years, we placed particular importance on maintaining the strength of the balance sheet and generating a sustained cash flow. Strong financial resources and a comfortable cash position make CANCOM independent, facilitating strategic growth and a sustained and stable dividend policy. In addition, for the purpose of financing our growth, which we plan to continue both organically and by acquisitions, we successfully placed a convertible bond for € 45 million with institutional investors in March 2014. There is generally a high level of interest in CANCOM on the capital market, and this confirms that we are on the right track with our continuous development of the business model, our focus on cloud computing and shared managed services, and our growth strategy.

On the conclusion of such a successful year, our thanks are due to many people. First, we would like to thank our employees for their commitment. We would like to thank our clients for voting CANCOM the best integrated systems provider in Germany for the fifth time. Finally, thanks to our partners and our stockholders for their loyalty and their confidence in us.

Sincerely yours,

The Executive Board of CANCOM SE

Klaus Weinmann
CEO

Rudolf Hotter
COO


CANCOM
CANCOM

Report of the Supervisory Board

Dear Stockholders,

The fiscal year 2014 was another record year in CANCOM's successful corporate history. The Supervisory Board would like to congratulate the Executive Board and the employees warmly. As the representatives of the stockholders of CANCOM, we would like to thank them for what they have achieved by their good performance and also for their good cooperation with us. Our thanks are also due to the stockholders for their confidence in CANCOM. The group is very well placed in the market, and has built up a solid basis for its future growth. The members of the Supervisory Board guided CANCOM through the past year and are optimistic about the group's future performance. As a result the management has decided to recommend to the general meeting of stockholders that a dividend be paid again this year. It is proposed that a dividend of 50 euro cent per stock be paid to stockholders for the fiscal year 2014.

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 2014. 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 general meeting of stockholders on June 25, 2014, are Walter Krejci (Chairperson), Dr. Lothar Koniarski (Deputy Chairperson), Regina Weinmann, Uwe Kemm and Dominik Eberle. Walter von Szczytnicki (Chairperson until June 25, 2014) decided for personal reasons not to stand for office on the Supervisory Board in 2014. Stefan Kober (Deputy Chairperson until June 25, 2014) also decided for personal reasons not to stand for office as a Supervisory Board member and notified the company at short notice. Both the German Corporate Governance Code and our own targets for the composition of the Supervisory Board define certain criteria for the selection of candidates, which are examined carefully. The Supervisory Board and its Nomination Committee will therefore propose suitable candidates in due course, so that the Supervisory Board can be enlarged again to the six members required by the company's by-laws in a by-election at the general meeting of stockholders on June 18, 2015. The Supervisory Board would like to thank Walter von Szczytnicki and Stefan Kober for their agreeable and constructive teamwork.

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 2014. In order to do this, it held five meetings. The meetings were attended by all of the Supervisory Board members in office at the relevant dates, either in person or via video or telephone conference. The meetings were held on March 18, May 6, June 25, September 18 and December 10, 2014.

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 any 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. Prompt and thorough updating by the Executive Board enabled the Supervisory Board 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 2014. 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 has formed two committees. A new Audit Committee was appointed after the general meeting of stockholders and the election of the new Supervisory Board members on June 25, 2014. The Audit Committee currently comprises Dr. Lothar Koniarski (Chairperson), Walter Krejci (Deputy Chairperson) and Uwe Kemm. Until the resignation of Walter von Szczytnicki and Stefan Kober in June 2014, it consisted of Stefan Kober (Chairperson), Walter von Szczytnicki (Deputy Chairperson) and Dr. Lothar Koniarski.

Until June 25, 2014, Stefan Kober was the Supervisory Board‘s independent financial expert in line with Section 100, paragraph 5 of the German Stock Corporation Act (Aktiengesetz, AktG). After his resignation, Dr. Lothar Koniarski replaced him in this role. The Audit Committee met once during the fiscal year, on March 18, 2014.

A new Nominating Committee was appointed on the same occasion. The Nominating Committee now comprises Walter Krejci (Chairperson), Dr. Lothar Koniarski (Deputy Chairperson) and Regina Weinmann. Until the resignation of Walter von Szczytnicki and Stefan Kober in June 2014, it consisted of Walter von Szczytnicki (Chairperson), Stefan Kober (Deputy Chairperson) and Regina Weinmann. The Nominating Committee met on March 18 and December 10, 2014.

The main focus of the Supervisory Board's activities

Owing, among other things, to the continued increase in digitization and networking, which is having an ever-greater impact on the professional and personal environment, 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 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 Corporation Act (Aktiengesetz, AktG) 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.

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

- In February 2014, the Supervisory Board passed a resolution in writing to approve the acquisition of all the stocks of HPM Inc. (HPM Networks), based in Pleasanton, California, U.S.A.
- The annual financial statements of CANCOM SE and the consolidated financial statements were approved by the Supervisory Board at its meeting on March 18, 2014. The Supervisory Board discussed the annual report for 2013 and, in particular, the Corporate Government report contained in it. The Executive Board and the Supervisory Board discussed the issuing of a convertible bond. The decision was delegated to the Audit Committee of the Supervisory Board. The Supervisory Board passed a resolution on the authorization of the acquisition of all the stocks of DIDAS Business Services GmbH, based in Langenfeld, Germany, and the payment of the purchase price in CANCOM stocks newly issued from authorized capital by means of a capital increase against non-cash contributions. The Supervisory Board also authorized the Executive Board to purchase the business premises at the company's location in Jettingen-Scheppach, Germany.
- At its meeting on June 25, 2014 the Supervisory Board approved the issuing of new stocks against non-cash contributions from authorized capital in connection with the acquisition of all the stocks of DIDAS Business Services GmbH, based in Langenfeld, Germany.
- In the meeting on December 10, 2014 the business plans for 2015 were presented by the Executive Board and approved by the Supervisory Board. 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.

Corporate Governance Code

The Supervisory Board is guided by the regulations of the German Stock Corporation Act (Aktiengesetz, AktG), as well as the recommendations of the German Corporate Governance Code. In its meeting on December 10, 2014, the Supervisory Board also covered the relevant recommendations of the German Corporate Governance Code of June 24, 2014. In the past fiscal year, CANCOM complied with all of the recommendations of the Code. In their meeting on December 10, 2014, therefore, the Executive Board and the Supervisory Board resolved to issue a declaration of conformity pursuant to Section 161 of the German Stock Corporation Act, stating that the company now complies with the recommendations of the German Corporate Governance Code set out in the versions of May 13, 2013 and June 24, 2014. A detailed description of the corporate governance practice at CANCOM can be found on pages 11 to 18 of the corporate governance report.

Annual financial statements of CANCOM SE and the CANCOM group for 2014

The annual financial statements prepared by the Executive Board for CANCOM SE and the CANCOM group for the year ended December 31, 2014, and the combined management report for the group and the company, were available for examination at the Supervisory Board meeting on March 11, 2015. The Audit Committee of the Supervisory Board held a meeting on March 11, 2015, 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 combined management report were audited by S&P GmbH Wirtschaftsprüfungsgesellschaft, Augsburg, Germany, under the supervision of the auditor and tax consultant Mr Ulrich Stauber, managing director of S&P GmbH Wirtschaftsprüfungsgesellschaft, the audit firm appointed by the general meeting of stockholders. Mr Ulrich Stauber is lead auditor for CANCOM SE in the third year. 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 11, 2015, at which the annual financial statements of the company and the group were discussed. He gave a 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 combined management report, the Supervisory Board had no objections to raise. It approved the annual financial statements prepared by the Executive Board for CANCOM SE and the CANCOM group. In accordance with Section 172 of the German Stock Corporation Act, the annual financial statements are thus adopted.

Munich, Germany, March 2015

Walter Krejci

Chairperson of the Supervisory Board

Corporate governance at CANCOM

Corporate governance report

This report on corporate governance at CANCOM is written by the Supervisory Board and Executive Board in accordance with Subsection 3.10 of the current version of the German Corporate Governance Code published on June 24, 2014. This section also includes the Executive Board remuneration report.

I. Corporate governance overview

Implementation of the German Corporate Governance Code

In 2014 the Executive Board and the Supervisory Board of CANCOM SE again devoted much attention to CANCOM's compliance with the recommendations of the German Corporate Governance Code. At the Supervisory Board meeting on December 10, 2014, a joint declaration of conformity was issued in accordance with Section 161, paragraph 1 of the German Stock Corporation Act (Aktiengesetz, AktG), which was published on December 11, 2014. The declaration is displayed on the company's website. Since the previous declaration of conformity on December 10, 2013, CANCOM SE has complied with all the recommendations of the Government Commission on the German Corporate Governance Code announced by the German Federal Ministry of Justice in the official section of the Federal Gazette (Bundesanzeiger), and will continue to comply with them. CANCOM SE also complies with most of the suggestions of the German Corporate Governance Code. The declarations of conformity issued in the last five years are permanently available for viewing on the company's website.

1. Basic principles of the corporate governance policy

1.1. Stockholders and their annual general meeting

The general meeting of stockholders is the central decision-making body, at which CANCOM's stockholders can exercise their rights and cast their votes. For the past several years, large numbers of stockholders have attended this meeting. The annual general meeting of stockholders was held in Munich, Germany, on June 25, 2014.

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 expressly defined by law and the company's by-laws – in particular on the appropriation of profit, the discharge of members of the Executive Board and Supervisory Board and the appointment of Supervisory Board members – and 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, as well as authorizing any capital increase or reduction or any 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 on June 18, 2015, 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.

1.2. 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.

1.2.1. 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: Chief Executive Officer 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 Chief Operating Officer, 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 half-year and quarterly 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 has a system of information provision in accordance with a recommendation in Subsection 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.

1.2.2. 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 current members of the Supervisory Board are: Walter Krejci (Chairperson), Dr. Lothar Koniarski (Deputy Chairperson), Regina Weinmann, Uwe Kemm and Dominik Eberle, who all bring proven professional expertise into the enterprise. The members of the Supervisory Board of CANCOM SE were appointed by the general meeting on June 25, 2014, for the period up to the end of the general meeting of stockholders that resolves on the discharge of the Supervisory Board for the fiscal year 2018.

To help it to perform its function, the Supervisory Board has 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 Dr. Lothar Koniarski (Chairperson), Walter Krejci (Deputy Chairperson) and Uwe Kemm. The Chairperson, Dr. Lothar Koniarski, fulfils the requirements under German law for at least one member of the Audit Committee to be independent and have expertise in the areas of accounting and financial statement auditing. In particular, the Audit Committee oversees the accounting process and monitors the effectiveness of the internal control system and the in-house audit system. It is also concerned with the annual financial statement audit and its focus, commissioning the auditor and agreeing the fee, and compliance matters.

The Nominating Committee comprises Walter Krejci (Chairperson), Dr. Lothar Koniarski (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 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 Subsection 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 fulfil their duties so that the work can be done with the necessary regularity and 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 taken these criteria into account in its own composition. The members of the Supervisory Board come from a variety of international and professional backgrounds, some with a background in the relevant sector, all of which greatly enhances their work on the Supervisory Board. The majority of Supervisory Board members can be considered independent with in the meaning of Subsection 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 2014. 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 94 of the notes to the consolidated accounts.

The Supervisory Board aims to fulfil 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 2014 meeting and found that the Supervisory Board works efficiently and in accordance with the regulations.

1.3. Transparency

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

Each fiscal year, CANCOM keeps its stockholders informed by means of three quarterly reports and the annual report on the group's performance and on its financial, earnings, assets 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 on the company's website.

1.3.1. 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.

1.3.2. Stock holdings of the Executive and Supervisory Boards as at December 31, 2014

The following members of the Executive and Supervisory Boards hold stocks in CANCOM SE as at December 31, 2014:

Executive Board	Number of stocks	Percentage of capital stock
Klaus Weinmann	100,000	0.7 %

Supervisory Board	Number of stocks	Percentage of capital stock (Figures rounded)
Regina Weinmann	20,000	0.1 %
Dominik Eberle	10,000	0.1 %

1.4. 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 25, 2014, appointed the audit firm S&P GmbH Wirtschaftsprüfungsgesellschaft based in Augsburg, Germany, to audit the annual financial statements for the fiscal year 2014. CANCOM's Supervisory Board and its Audit Committee work closely with the auditor. 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 fulfils the requirements regarding auditor independence, the Supervisory Board obtained an independence declaration from the auditor.

2. Compliance Management

CANCOM ordered an external review of its compliance management system in 2014. The review certifies that CANCOM's compliance system meets all the conditions for conformity with the applicable standard for compliance management systems. The company should therefore attempt to obtain ISO certification in the current fiscal year.

2.1. 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, the company has adopted a code of conduct covering its relations with the company's various stakeholders.

One of the outcomes of the establishment of CANCOM's compliance system is that its code of conduct, Fairness First, has been brought to the attention of all employees of the group, and e-learning courses have been set up to train them to implement it. 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 and questions. 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.

2.2. 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.

2.3. Internal audit

The in-house auditing 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. 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' remuneration and the emoluments 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 below forms a part of the combined management report and 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. Other factors taken into account are the responsibilities and performance of the relevant Executive Board member, as well as the level of remuneration that would be considered normal given the remuneration structure of the rest of the company. The system of Executive Board remuneration used at CANCOM is aimed at the sustainable growth of the enterprise.

The remuneration system for the Executive Board was approved by the 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 2014, 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 2014 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 Chief Executive Officer, Klaus Weinmann, contains a change of control clause. This states that, in the event of a change of control, the CEO is entitled to resign his current post as CEO and terminate his contract at six months' notice, as long as this is done within nine months after the change of control takes legal effect. In the event of his resignation, his emoluments would be paid by the company for two years, but not longer than the remainder of his term of office. Compensation for observing the changed restraint on competition would be deducted from the emoluments paid. In the event that the employment contract expires, or ends through the resignation or discharge of the Executive Board member, the Executive Board contracts provide for a severance payment as well as a compensatory payment for observing the restraint on competition.

The Executive Board members did not receive any subscription rights for stocks in CANCOM SE or any other stock-based remuneration in 2014. No benefits were paid.

1.2. General overview of Executive Board remuneration

Based on the above system of remuneration determined by the Supervisory Board, the total remuneration of the Executive Board for the fiscal year 2014 was € 2,442 thousand. (2013: € 1,902 thousand). The remuneration for the fiscal year 2014 disclosed below takes account of the recommendations of the German Corporate Governance Code in addition to the applicable accounting principles. For this reason the table recommended by the Code is used to present the breakdown of the amounts allowed in 2014.

The following table shows the remuneration granted to the individual members of the Executive Board in the fiscal year 2014 (broken down into individual components, with rounded figures):

Amounts allowed	**Klaus Weinmann** CEO				**Rudolf Hotter** Member of the Executive Board			
	2013	**2014**	**2014** (Min)	**2014** (Max)	**2013**	**2014**	**2014** (Min)	**2014** (Max)
Fixed remuneration	532,255	554,019	554,019	554,019	349,421	363,230	363,230	363,230
Ancillary benefits[1]	12,428	19,443	19,443	19,443	7,205	4,935	4,935	4,935
Total	**544,683**	**573,463**	**573,463**	**573,463**	**356,625**	**368,165**	**368,165**	**368,165**
Variable annual remuneration	333,773	500,000	0	500,000	166,886	250,000	0	250,000
Multiannual variable remuneration[2]	333,773	500,000	0	500,000	166,886	250,000	0	250,000
Target achievement dependent on the degree to which the EBITDA target was met in the reporting year and in the past three fiscal years	333,773	500,000	0	500,000	166,886	250,000	0	250,000
Total	**1,212,229**	**1,573,463**	**573,463**	**1,573,463**	**690,398**	**868,165**	**368,165**	**868,165**
Pension costs	0	0	0	0	0	0	0	0
Total remuneration	**1,212,229**	**1,573,463**	**573,463**	**1,573,463**	**690,398**	**868,165**	**368,165**	**868,165**

1.3. Payments received

The table below shows the amounts of fixed remuneration, ancillary benefits, annual variable remuneration and multiannual variable remuneration received by the Executive Board members in/for the fiscal year 2014, broken down into the relevant reference years, as well as the pension costs. Unlike the above table, which shows the multiannual variable remuneration allowed for the fiscal year 2014, the table below shows the actual value of the multiannual variable remuneration allowed in previous years and received in 2014.

Payments received	**Klaus Weinmann** CEO		**Rudolf Hotter** Member of the Executive Board	
	2013	**2014**	**2013**	**2014**
Fixed remuneration	532,255	554,019	349,421	363,230
Ancillary benefits[1]	12,428	19,443	7,205	4,935
Total	**544,683**	**573,463**	**356,625**	**368,165**
Variable annual remuneration	280,632	333,773	140,316	166,886
Multiannual variable remuneration[2]	280,632	333,773	140,316	166,886
Target achievement dependent on the degree to which the EBITDA target was met in the reporting year and in the past three fiscal years	280,632	333,773	140,316	166,886
Total	**1,105,948**	**1,241,008**	**637,257**	**701,937**
Pension costs	0	0	0	0
Total remuneration	**1,105,948**	**1,241,008**	**637,257**	**701,937**

1) The ancillary benefits comprise the costs, or the monetary value, of benefits in kind, such as company cars and insurance premiums.

2) The bonus is dependent on the long-term profitable performance of the CANCOM group. If there is a significant worsening of the company's results within the three year period of calculation in comparison with the relevant planned figures used as reference ratio, the Executive Board is obliged to pay back in part or in full any bonuses received.

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 section 13 of the current by-laws of CANCOM, in principle, and the amount determined by resolution passed at the general meeting of stockholders on June 21, 2012. The Supervisory Board's emoluments consist purely of a fixed component. The Chairperson and the Deputy Chairperson are paid a higher remuneration than the other Supervisory Board members.

2.1. Components of Supervisory Board remuneration

Remuneration for Supervisory Board activities
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 June 21, 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 of the company, and exercises this entitlement.

Remuneration for committee activities
As members of the Nomination Committee or the Audit Committee, the members of the Supervisory Board receive a single annual payment. Members of the Nomination Committee receive remuneration of € 1,000 (the Chairperson of the Committee is paid € 2,000). Members of the Audit Committee receive remuneration of € 2,000 (the Chairperson receives € 4,000). If a Supervisory Board member does not serve a full year on a Committee, he/she receives the pro rata remuneration for the period served.

2.2. General overview of Supervisory Board remuneration

The Supervisory Board members received the following remuneration in the fiscal year 2014 (rounded figures):

The remuneration of the Chairperson of the Supervisory Board, Walter Krejci, was € 65 thousand (2013: € 25 thousand). The Deputy Chairperson, Dr. Lothar Koniarski, received € 39 thousand (2013: € 15 thousand). Regina Weinmann received € 25 thousand (2013: € 25 thousand), Uwe Kemm € 16 thousand (2013: € 0) and Dominik Eberle € 15 thousand (2013: € 0). Walter von Szczytnicki (Chairperson of the Supervisory Board until June 25, 2014) received € 44 thousand (2013: 90 thousand), and Stefan Kober (Deputy Chairperson until June 25, 2014) received € 22 thousand (2013: € 45 thousand). The total remuneration of the Supervisory Board in the fiscal year 2014 was € 226 thousand (2013: € 234 thousand).

The Supervisory Board members did not receive any other remuneration or benefits for services provided individually, especially consulting or agency services. They were not granted loans or advance payments, nor has the company entered any contingent liabilities in favor of any Supervisory Board members.

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.

III. 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 2015

Executive Board and Supervisory Board

of CANCOM SE

CANCOM in the capital market

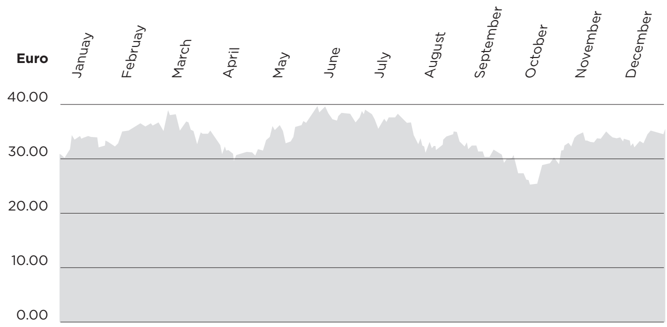
German equity market performance

Deutsche Börse's blue-chip index, DAX, ended the stock market year 2014 at 9,806 points, up 2.7 percent on the previous year. Its performance was boosted by the European Central Bank's expansionary monetary policy and the low interest rate. After reaching five-digit figures for the first time in the late spring, exceeding the 10,000 point mark, the DAX suffered two major setbacks in the second half of the year, falling to a low of 8,350 points in October. On December 5, the index reached a new record level at 10,093 points, only to plummet again at the end of the year. Its performance was far weaker than in 2012 and 2013, when it gained 29 percent and 25 percent respectively. The large markets in other countries, especially the U.S. equity market, fared better. Deutsche Börse's technology index, TecDAX, gained more than 202 points during the year and closed up around 17 percent at 1,371.36 points, outperforming the other major German equity indices.

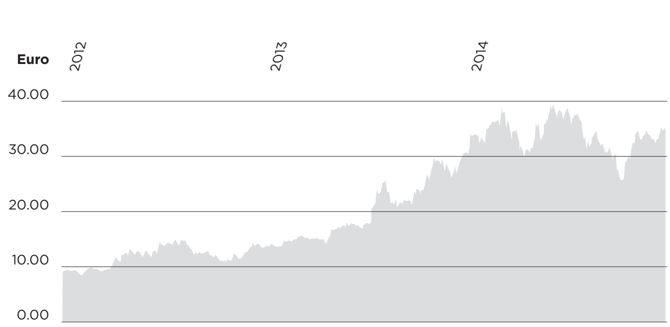
CANCOM stock price performance

The CANCOM stock started the year at € 31.07. By the beginning of March it had risen to € 39.07, the highest level since its initial public offering. After dipping to € 29.42 in April, the stock recovered to reach its high for the year at € 39.48 in June. At the start of the second half of the year a downward trend set in, pulling the stock down to € 25.50. In the fourth quarter the price recovered and the stock worked its way back up to a closing price of € 35.48. In the Deutsche Börse TecDAX ranking, CANCOM is placed 19th in terms of market capitalization as at December 31, 2014, compared with 21st place in 2013. Measured by trading volume, CANCOM is ranked 12th, up from 15th place in 2013.

Share Performance January – December 2014



Share Performance 2012 - 2014



KEY FIGURES AND TRADING STATISTICS ON THE CANCOM STOCK (GERMAN SECURITIES CODE - WKN - 541910)

		2014	2013
Price at start of year	€	30.72	13.50
Price at end of year	€	35.48	30.80
High	€	39.48	30.80
Low	€	25.50	19.80
Performance – absolute	€	+4.76	+17.30
Performance – relative	%	+15.49	+128.15
Market capitalization at year-end	€ million	528.7	449.7
Average turnover per trading day (in units)	piece	132,159	114,676
Average turnover per trading day (in euro)	€	4,375,278	2,571,854
Earnings per share fom continuing operation (non-diluted)	€	1.27	1.22
Outstanding stock as at December 31	piece	14,879,574	14,615,791

Closing price Xetra trading system

* all German Stock exchanges

Exchange segment	Prime Standard
Index inclusion	TecDAX, HDAX
Designated sponsorship	Oddo Seydler Bank AG

RESEARCH COVERAGE

Hauck & Aufhäuser Research GmbH
Warburg Research
Commerbank AG
Baader Bank / Helvea

Ownership structure

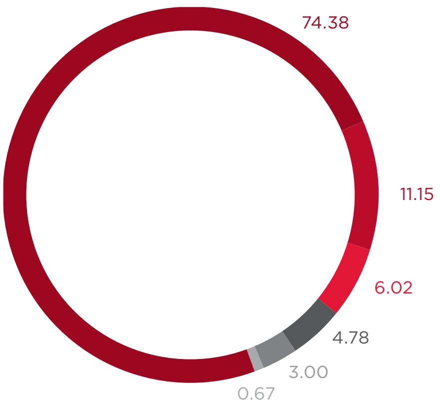
CANCOM has a multinational ownership structure. Its stockholder base consists of institutional and private investors.

Dividends

CANCOM's aim is to pursue a consistent dividend policy. After the record results in the fiscal year 2014 and in view of the company's good cash position, the Executive Board and Supervisory Board will propose to the general meeting of stockholders that a dividend of 0.50 euro cent per stock be paid. This represents a dividend ratio of approximately 39,4 percent of the annual profit from continuing operations, compared with 32.8 percent in 2013, and is in line with the Executive Board's target of a dividend ratio of 30 to 50 percent.

As at December 31, 2014, the number of stocks with dividend rights was 14,879,574. The total dividend payment for the fiscal year 2014 is therefore € 7.4 million.

OWNERSHIP STRUCTURE AS AT DECEMBER 31, 2014 (AS %)



Freefloat	74.38 %
Allianz Global Investors Europe GmbH*	11.15 %
Threadneedle Group*	6.02 %
Allianz Global Investors Luxembourg S.A.*	4.78 %
Denver Investment Advisors*	3.00 %
Klaus Weinmann	0.67 %

* according to the most recent voting rights disclosure received

Convertible bond

In March 2014 CANCOM successfully placed a convertible bond issue (German securities code - WKN - A11QF3) for € 45 million. The bonds mature in March 2019 and can be converted into around one million new no-par-value bearer stocks in CANCOM SE. There is no subscription right for existing stockholders.

The issue of the convertible bond has enabled CANCOM to strengthen its cash and capital base further and finance the Group's future growth.

American depositary receipt (ADR) program in the U.S.A.

In April 2014 CANCOM SE established a Level 1 American depositary receipt (ADR) program in the United States. ADRs are securities denominated in U.S. dollars that represent underlying equities of a non-U.S. company and can be traded in the U.S.A. This enables U.S. investors to buy bearer stocks in CANCOM SE, which are listed on the FWB Frankfurt Stock Exchange, indirectly on the U.S. market. The ADR program allows for the expansion of CANCOM's investor base in the U.S.A., thus broadening it and making it even more international.

General meeting of stockholders

The annual general meeting of stockholders of CANCOM SE took place at the Haus der Bayerischen Wirtschaft conference center in Munich, Germany, on June 25, 2014. The Executive Board and the Supervisory Board of the company welcomed around 200 stockholders and their proxies, who together represented 42.11 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, in addition to business and specialist media.

In the fiscal year 2014, CANCOM made more than

150 contacts

at roadshows in Germany and other countries, investor conferences and numerous capital market events, as well as in face-to-face meetings and by phone.

Up-to-date information about the CANCOM stock can be found in the Investor Relations section of our website.

Combined management report for CANCOM SE and the CANCOM group

January 1 to December 31, 2014

1. Fundamental information about the group

The CANCOM group is one of the leading providers of IT infrastructure and services in Germany and Austria. With its decentralized distribution and service structure, as well as central services in areas such as finance, purchasing, warehousing, logistics, marketing, product management and human resources, the group is well placed for sustainable, profitable growth. In addition to its locations in Germany and Austria, the group has an international network of partners, with locations in the U.S.A. and representative offices, among other places, in Brussels (Belgium) and London (U.K.).

The structure of the CANCOM group

CANCOM SE (also referred to as CANCOM), based in Munich, Germany, performs the central financial and management role for the equity investments held by the CANCOM group.

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.

Areas of business

The reportable segments were redefined in the fiscal year 2014 to reflect the consistent shift in the focus of the business model towards cloud and managed services as well as shared managed services.

The cloud solutions operating segment comprises PIRONET NDH Datacenter AG & Co. KG, PIRONET NDH EDI-Services GmbH, and PIRONET NDH Enterprise Solutions GmbH, in addition to divisions of CANCOM GmbH and CANCOM DIDAS GmbH. The cloud solutions segment comprises the CANCOM group's cloud and shared managed services business, including sales revenues from project-related cloud hardware, software and services. This ranges from analysis and advice to delivery, implementation and services. Clients are thus offered the necessary orientation and support for their conversion from traditional corporate IT systems to cloud computing. As part of its range of services, the CANCOM group can provide scalable cloud and managed services – in particular shared managed services – to run entire IT departments, or parts of them, for its clients. Distribution costs allocated to cloud distribution are included in the segment. The cloud business also benefits from synergies with CANCOM's central sales and marketing department, the costs of which are allocated to the IT solutions reportable segment.

The IT solutions operating segment comprises CANCOM GmbH (only the division allocated to the segment), CANCOM Computersysteme GmbH, CANCOM a+d IT solutions GmbH, CANCOM (Switzerland) AG, CANCOM NSG GmbH, CANCOM NSG GIS GmbH, CANCOM NSG SCS GmbH, CANCOM NSG ICP GmbH, CANCOM on line GmbH, Imperia AG, CANCOM physical infrastructure GmbH, acentrix GmbH, Glanzkinder GmbH (until October 28, 2014), CANCOM, Inc., CANCOM HPM Networks (formerly HPM Networks Inc.), Verioplan GmbH and business divisions of CANCOM DIDAS GmbH. This operating segment of the CANCOM group offers comprehensive support for IT infrastructure and applications. The range of services offered includes IT strategy consulting, project planning and implementation, system integration, IT procurement via e-procurement services or as part of a project, in addition to professional IT services and support.

Focus of activities and sales markets

The CANCOM group is one of the 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. The IT services offered by the group include consulting, the design of IT architectures and landscapes, and the design, integration and operation of IT systems – ranging from the performance of individual partial assignments to taking over the complete operation of a company's IT systems.

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, the CANCOM group operates primarily in Germany, Austria and Switzerland as well as in the U.S.A.

The strategy involves focusing on profitable, high-growth market segments such as IT solutions, consulting and managed services, in addition to leading IT trends such as cloud computing, mobility, unified communications and collaboration, and security. Selective acquisitions are also part of the group's growth strategy.

Competitive position

According to the Federal Statistical Office of Germany, there are currently around 97,000 information technology companies operating in the German market, although they vary greatly in terms of their size and the range of services they offer. Around 190 enterprises have 500 employees or more. Only about 20 of these enterprises (nine of which provide integrated IT systems services) generate turnover of more than € 250 million, and the CANCOM group is one of them.

According to the German Association of the Information Industry, Telecommunications and New Media (BITKOM), the total volume of the German IT market in 2014 was € 77.8 billion. This means that, with annual sales revenues of € 750.7 million in Germany, the CANCOM group currently has a market share of around one percent. The three largest German integrated IT systems providers in the latest ChannelPartner/COMPUTERWOCHE ranking have a market share of about five 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 and the operating segments, 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. It also takes into account any early warning data or indicators. Further details can be found in the risks and opportunities report. 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 activities. Its development work focuses mainly on software solutions and applications in IT growth segments such as cloud computing, virtualization, mobile solutions, IT security and shared 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 2014 on the CANCOM AHP Private Cloud, an IT architecture platform first developed in 2010. This is an integrated out-of-the-box solution based on standard technologies. During 2014 there were also developments in app programming for mobile business applications, in addition to customization of in-house software used by the company.

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

Despite several international crises, in 2014 the German economy experienced its strongest growth since 2011. After a good start to the year, followed by a weak period in the summer and some turbulence in the market in the autumn – accompanied by fears that the growth engine might fail – by the end of the year the economic situation had stabilized. According to the Federal Statistical Office of Germany, gross domestic product (GDP) rose by 1.5 percent, compared with 0.1 percent in 2013. The main stimulus was provided by increased consumer spending. However, corporate investment also increased after a decline in the previous year, and similarly exports were up.

	Gross domestic product in 2014* (real change compared with 2013, as a percentage
Germany	+ 1.4
Euro area	+ 0.8
U.K.	+ 3.0
U.S.A.	+ 2.5
World	+ 3.3

* Forecast: Deutsche Bank Research, January 22, 2015.

Inflation in Germany fell to its lowest rate in five years in 2014, partly owing to falling energy prices. According to the Federal Statistical Office of Germany, it is currently only 0.9 percent, compared with 1.5 percent in 2013.

The European Central Bank (ECB) reduced the key interest rate for the euro area from 0.25 percent to 0.15 percent in June 2014, with a further reduction to 0.05 percent in September. Up to the date of preparation of this management report the rate has remained at this historic low. The U.S. Federal Reserve Bank continues to maintain the prime rate between zero and 0.25 percent.

The labor market continued to perform well during 2014. Both the number of people employed and the rate of employment growth continued to rise, with increases even stronger than in the previous year.

The performance of the information technology sector

Overall, the year 2014 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 4.3 percent in 2014.

Within the IT sector, the hardware segment grew by 5.8 percent, the software segment by 5.6 percent and the IT services segment by 2.7 percent.

	Performance of the German IT market in 2014** (real change compared with 2013, as a percentage)
IT market as a whole	+ 4.3
Hardware	+ 5.8
Software	+ 5.6
Services	+ 2.7

** Forecast: BITKOM, October 2014

The information and communication technology (ICT) market as a whole grew by 1.8 percent in Germany, compared with only 0.4 percent in the European Union as a whole and 3.3 percent in the U.S.A.

The impact on the CANCOM group

In 2014, the Executive Board of CANCOM expected further growth and an improvement in profits for the group in the medium-term. They forecast a significant increase in consolidated gross profit and consolidated earnings before interest, tax, depreciation and amortization (EBITDA) in the fiscal year 2014.

The CANCOM group's sales revenues were up 35.0 percent in the fiscal year 2014, at € 828.9 million compared with € 613.8 million in 2013. This represents considerably stronger growth than that of the German IT market, which grew by 4.3 percent. The acquisitions accounted for € 162.2 million of the sales revenues from continuing operations. The newly acquired companies in turn benefited equally from being part of the group, which enabled them to expand their business. The growth of the group is mainly attributable to the continued high demand for innovative, integrated IT solutions, which had a positive impact on the performance of both of the group's operating segments. Under IFRS 5, Imperia AG – a subsidiary of PIRONET NDH Aktiengesellschaft (hereinafter referred to as PIRONET) that was fully included in the consolidated financial statements since January 1, 2014 – had to be classified as a discontinued operation, and the sales revenues, which amounted to € 11 million, shown under discontinued operations in the financial statements.

There was a significant year-on-year increase in both the consolidated profit and the consolidated EBITDA, which were up 38.2 percent and 56.0 percent respectively. The group's profitability was improved further, with an EBITDA margin of 6.2 percent. The strong services business had a particularly positive impact on profits. Owing to the increasing complexity in areas such as IT landscapes and various types of requirements, IT consulting is becoming more and more important. Additionally, the level of services provided is increasingly demanding in terms of quality. CANCOM has therefore developed its employee structure to increase further the number of qualified staff with the appropriate certification. The number of employees working in the professional services area overall continued to rise in 2014. The increase in the number of staff is partly attributable to the newly acquired companies, both in the IT solutions segment and the cloud solutions segment.

CANCOM endeavors always to provide high-quality services and maximize client satisfaction. The extent to which it succeeds in this aim is evident from the fact that it received the Best German Integrated IT Systems Provider award again in 2014. The title was awarded on the basis of a client survey conducted by the trade magazines Computerwoche and ChannelPartner.

The Executive Board feels the positive development of sales revenues, gross profit and EBITDA anticipated for the fiscal year 2014 was achieved, both in the operating segments and in the group as a whole.

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 2014:

- CANCOM SE's total interest in the capital stock and voting rights of PIRONET, Cologne, Germany, reached 74.85 percent after the end of the additional acceptance period in the takeover offer to the stockholders on January 7, 2014. As it now holds the majority of the capital stock, CANCOM SE has included PIRONET in its consolidated financial accounts with effect from January 1, 2014. The group increased its stockholding gradually to 78.1 percent until June 2014 by way of off-exchange purchases outside the offer process.

- CANCOM has acquired all the stocks of HPM Networks Inc., based in Pleasanton, California, U.S.A. The transaction is documented in a contract of sale dated February 27, 2014. The company is included in the consolidated financial statements with effect from March 1, 2014. HPM, which now trades as CANCOM HPM Networks, operates as a value-added reseller (VAR) in the cloud infrastructure environment and has long-standing relationships with partners such as HP (it is an HP Cloud Center of Excellence Partner), 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 HPM offers good access to the U.S. market as well as partners and clients, which help in positioning CANCOM's business cloud portfolio in the United States. The U.S. business can benefit from potential access to large projects as part of the group.

- On March 20, 2014, CANCOM SE issued a convertible bond for a total nominal amount of € 45 million. The bonds mature on March 27, 2019 and have a coupon of 0.875 percent per annum. The denomination per unit is € 100,000, and the holders are entitled to convert their bonds into up to 1,055,510 new no-par value bearer stocks in CANCOM SE. The initial conversion price is € 42.63 per stock. The conversion right for the convertible bond can be exercised throughout its term to maturity.

- CANCOM SE has repurchased the rented business premises that it occupies in Jettingen-Scheppach, Germany, for € 8.7 million plus incidental costs. The transaction is recorded in a notarized agreement dated March 27, 2014. The building and its attached logistics center were sold for € 9.5 million in a sale-and-lease-back transaction in the fiscal year 2007. The annual saving on rental costs up to 2021 under the rental agreement is € 800 thousand.

- On April 10, 2014, CANCOM SE signed a notarized contract for the acquisition of all the stocks of DIDAS Business Services GmbH from Allgeier IT Solutions AG. This Langenfeld-based German company is now trading under the name of CANCOM DIDAS GmbH and provides IT services and solutions in the areas of professional, managed and cloud services. It employed 260 people at the time of the acquisition. Its clients include both small and medium-sized enterprises (SMEs) and multinational corporations. The acquisition expands both CANCOM's regional presence and its IT solutions portfolio. The resulting wider client base also offers the group potential for growth in its cloud solutions business.

- CANCOM SE carried out a capital increase against non-cash contributions, which was entered in the commercial register on July 3, 2014. The new CANCOM stocks were issued to pay the purchase price for all the stocks of DIDAS Business Services GmbH, based in Langenfeld, Germany. Part of the authorized capital (2010) I was used to increase the capital stock from € 14,615,791 to € 14,879,574 by issuing 263,783 new no-par value bearer stocks. There was no subscription right for existing shareholders. The total issuing value of the new stocks is € 10 million. All of the new stocks were issued to existing stockholders of DIDAS Business Services GmbH. In return, the existing stockholders transferred all their stocks in DIDAS Business Services GmbH to CANCOM SE as a non-cash contribution.

- CANCOM SE has sold its 49 percent equity interest in Glanzkinder GmbH, as recorded in a notarized contract signed on October 28, 2014.

- On December 30, 2014, PIRONET, a group subsidiary, announced its intention to sell its wholly-owned subsidiary Imperia AG in the near future. The reason for the sale is that PIRONET plans to focus on its highly profitable data center services business, which currently enjoys two-digit growth rates. Owing to the plans to sell Imperia AG, its results are shown under discontinued operations both in the consolidated financial statements of PIRONET and of CANCOM SE.

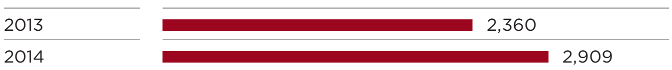
Staff

CANCOM employed an average of 2,850 people in the fiscal year 2014, compared with 2,226 in 2013. As at December 31, 2014, the group had 2,909 staff members, compared with 2,360 in 2013.

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

	2014	2013
Professional services	2,080	1,634
Sales and distribution	468	396
Central services	361	330

Number of employees in the CANCOM group, 2013 - 2014
(as at December 31)



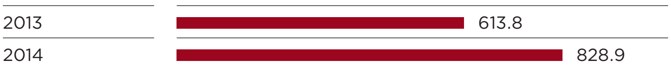
Earnings, financial and assets position of the CANCOM group

There was further improvement in the earnings, financial and assets position during the fiscal year 2014.

a) Earnings position

The sales revenues of the CANCOM group rose from € 613.8 million to € 828.9 million in 2014 – an increase of 35.0 percent. There was further expansion of the group's business in both operating segments, helped by the steady demand from clients for innovative solutions to improve efficiency across all areas of the IT value chain. The acquisitions accounted for € 162.2 million of the sales revenues from continuing operations in 2014. The acquired companies benefit equally from being part of the group and were able to expand their business as a result. Under IFRS 5, Imperia AG – a subsidiary of PIRONET that was fully included in the consolidated financial statements since January 1, 2014 – had to be classified as a discontinued operation, and the sales revenues, which amounted to € 11 million, shown under discontinued operations in the financial statements.

CANCOM group sales revenues 2013 – 2014 (in € million)

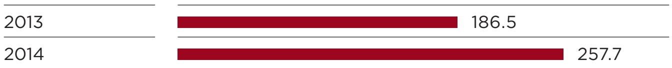


Sales revenues in Germany rose by 27.5 percent, from € 588.7 million to € 750.7 million. In international business, the group's sales revenues rose from € 25.1 million to € 78.2 million, mainly owing to the inclusion of the figures of the U.S. subsidiary CANCOM HPM Networks in the consolidated financial statements since March 1, 2014.

A new operating segment, cloud solutions, was introduced in 2014. The group's other segment is IT solutions. In the cloud solutions segment, sales revenues were up 147.0 percent at € 107.2 million, compared with € 43.4 million in 2013. Sales revenues in the IT solutions segment rose from € 570.4 million to € 721.4 million – an increase of 26.5 percent. The group's positive performance in terms of sales revenues was driven by the cloud and managed services business and the shared managed services business, as well as related solutions such as IT mobility and security, which contributed to the positive performance of the integrated IT systems business.

Consolidated gross profits of the CANCOM Group were up by 38.2 percent, from € 186.5 million in 2013 to € 257.7 million in 2014. The gross profit margin improved from 30.4 percent in 2013 to 31.1 percent in 2014, partly owing to the expansion of the services business, both in the companies newly included in the consolidated financial statements and those that were already part of the group prior to 2014.

CANCOM group gross profit 2013 – 2014 (in € million)



In the cloud solutions segment, gross profits were up from € 18.3 million in 2013 to € 52.1 million in 2014. In the IT solutions segment, gross profits rose from € 166.3 million to € 199.8 million in the same period.

Owing to the group's increased activity in the higher-margin consulting and services business, staff expenditure rose to € 166.4 million, in comparison with € 123.5 million in 2013. The ratio of staff expenditure to sales revenues was unchanged at 20.1 percent.

The details of the staff expenses were as follows (in '000):

	2014	2013
Wages and salaries	142,867	105,206
Social security contributions	23,279	18,036
Pension provisions	275	261
Total	**166,421**	**123,503**

Other operating expenses rose from € 29.9 million to € 39.6 million, owing to the expansion of the group's business activities. The ratio between operating expenses and sales revenues was slightly improved at 4.8 percent, compared with 4.9 percent in 2013.

Consolidated earnings before interest, tax, depreciation and amortization (EBITDA) were up 55.9 percent, at € 51.6 million compared with € 33.1 million in 2013. The EBITDA margin improved from 5.4 percent to 6.2 percent.

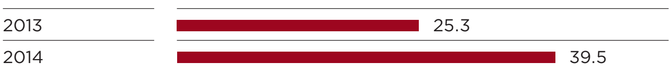
CANCOM group EBITDA 2013 – 2014 (in € million)

EBITDA in the cloud solutions segment rose from € 10.9 million in 2013 to € 24.1 million in 2014. In the IT solutions segment, EBITDA was up from € 29.5 million to € 40.7 million. The increase in earnings was driven by the organic and acquisition-based expansion of the group's business activities in the cloud and shared managed services business, as well as in the traditional integrated IT systems business. There was consequently an increase in the earnings of the group as a whole. Market and cost synergies can usually be generated within the group from acquisitions – for instance, by the use of resources for both existing and acquired units. This means that the relevant earnings cannot meaningfully be quantified or allocated to organic or acquisition-based profit, and for this reason we do not attempt any such quantification or allocation. There was further improvement in the profitability of both segments.

The EBITDA margin of the IT solutions segment was 5.6 percent compared with 5.2 percent in 2013, while that of the cloud solutions segment was 22.5 percent compared with 25.1 percent in 2013.

Consolidated earnings before interest, tax and amortization (EBITA) of intangible assets were up 56.1 percent, from € 25.3 million in 2013 to € 39.5 million in the fiscal year 2014. The amortization relates to the IFRS amortization of intangible assets from the purchase price allocation (PPA) from acquisitions, and mainly arises in relation to client lists and orders in hand.

CANCOM group EBITA 2013 – 2014 (in € million)



Consolidated earnings before interest and tax (EBIT) increased from € 22.4 million to € 28.8 million. This represents an increase of 28.6 percent after taking into account the increased amortization of intangible assets of € 10.8 million (€ 2.9 million in 2013) resulting from the purchase price allocation. The after-tax earnings from continuing operations after deduction of minority interests amounted to € 18.7 million, compared with € 14.3 million in 2013. This resulted in earnings per stock from continuing operations of € 1.27, compared with € 1.22 in 2013.

The order position

In the cloud solutions segment and large parts of the IT solutions 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, and they are therefore not published. At the time this management report was written, capacity utilization among our consultants was good in both segments.

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. To finance its business activities, the CANCOM group takes advantage of its own profitability and strong cash position, looking primarily to the opportunities offered by the capital market.

Notes on the capital structure

The current liabilities amount to € 169.5 million (2013: € 134.2 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 and other payables.

The growth in current liabilities in comparison with 2013 is mainly due to an increase in trade accounts receivable, owing to the effects of including the newly-acquired subsidiaries in the consolidated financial statements for the first time, and thus the increase in the number of companies consolidated and in the transaction volume.

The non-current liabilities, which amount to € 76.0 million (2013: € 22.8 million), are liabilities with a residual term of at least one year. The increase in non-current liabilities in comparison with the previous year is mainly the result of a € 45 million convertible bond issue. The carrying amount as at December 31, 2014 was € 39.1 million. There was also an increase in other non-current liabilities, mainly arising from purchase price liabilities (earn-outs) to former stockholders of the U.S. subsidiary CANCOM HPM Networks.

The financing structure is distinctly geared towards the long term. Interest-bearing liabilities rose from € 10.7 million in 2013 to € 47.1 million as at December 31, 2014. They consisted mainly of the convertible bond, in addition to long-term loans, profit participation capital and subordinated loans. The non-current liabilities and the short-term portion of long-term loans only amounted to € 3.7 million, slightly higher than the figure of € 0.8 million recorded in 2013.

Total assets amounted to € 439.3 million, up from € 319.6 million in 2013, owing to the expansion of business activities as well as the inclusion of the newly-acquired companies in the consolidated financial statements. The nominal equity capital, including capital reserves, rose during the year from € 162.7 million to € 193.8 million, partly as a result of a capital increase but also through retention of profits. As a result, the equity ratio fell from 50.9 percent in 2013 to 44.1 percent as at December 31, 2014.

On the assets side, current assets rose from € 212.1 million to € 285.7 million. This was partly due to a € 36.6 million increase in cash and cash equivalents to € 114.3 million as at the reporting date, and partly to an increase in trade accounts receivable from € 112.9 million to € 134.8 million. The latter is due to the expansion of business activities, as well as the increase in the number of companies consolidated. This also resulted in an increase in inventories from € 15.5 million to € 22.7 million.

Non-current assets were up from € 107.5 million to € 153.5 million. The increase is mainly evident from the increase in property, plant and equipment owing to the purchase of the business premises at Jettingen-Scheppach, Germany; intangible assets (client lists and orders in hand); and goodwill arising from acquisitions of companies and equity interests. Goodwill was up during the fiscal year 2014 owing to the acquisition of stakes in PIRONET, CANCOM HPM Networks and CANCOM DIDAS GmbH.

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 group's business activities and the corresponding increase in depreciation, as well as the use of factoring and the higher profits for the year before taxes and minority interests, there was a positive cash flow of € 35.0 million from operating activities in 2014, compared with € 18.9 million in the fiscal year of 2013. There was a negative cash flow of € 36.1 million from investing activities, in comparison with € 34.9 million in 2013. This was particularly as a result of cash outflows connected with the acquisition of subsidiaries and the purchase of the business premises at Jettingen-Scheppach in Germany. There was a positive cash flow of € 37.3 million from financing activities, mainly as a result of the issuance of a convertible bond. This compared with € 49.1 million in 2013. Overall, this gave rise to cash and cash equivalents from continuing operations of € 114.3 million as at December 31, 2014, compared with € 77.7 million in 2013.

On balance, the earnings, assets and financial position of the group improved further in the fiscal year 2014, and can therefore be described as good.

Earnings, financial and assets position of CANCOM SE

CANCOM SE performs the central financial and management role with regard to the long-term equity investments held by the CANCOM group. The risks and opportunities of CANCOM are therefore the risks and opportunities of its long-term 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 € 7.9 million in 2014 (2013: € 7.8 million), and its net profit for the year was € 13.3 million (2013: € 11.9 million). This mainly consists of income from profit transfer agreements with subsidiaries, which amounted to € 17.4 million, and management fees charged to subsidiaries.

At € 226.4 million, the total assets as at December 31, 2014 were up by 41.0 percent (2013: € 160.6 million), mainly due to the acquisition of equity interests in companies. The equity capital was up 15.4 percent, from € 152.0 million to € 175.4 million. As a result of the increase in total assets, CANCOM SE's equity ratio fell to 77.5 percent as at the reporting date (2013: 94.6 percent).

CANCOM SE carried out a capital increase against non-cash contributions during the fiscal year 2014. The company's capital stock was increased by a total of € 263,783, from € 14,615,791 divided into 14,615,791 stocks, to € 14,879,574 divided into 14,879,574 stocks.

Cash and cash equivalents as at December 31, 2014 were € 50.5 million, up from € 44.7 million at the end of 2013. Net liquidity (cash and cash equivalents less liabilities to banks) was € 49.1 million, compared with € 42.9 million in 2013.

Overall, CANCOM SE's earnings, assets and financial position continued to be very robust in 2014.

3. Information concerning takeovers

The paragraphs below contain disclosures in accordance with Section 315, paragraph 4 and Section 289, 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, 2014, the capital stock of CANCOM SE amounted to € 14,879,574, divided into 14,879,574 no-par value stocks (stock with a nominal value). 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 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 85 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 a notional value of 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 Corporation 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 2014.

Direct or indirect equity investments of 10 percent or more

As at December 31, 2014, CANCOM is aware of the following equity investments exceeding 10 percent of the voting rights:

On July 7, 2014, Allianz Global Investors Europe GmbH, Frankfurt/Main, Germany, informed us that its share of the voting rights in CANCOM SE had exceeded the 10 percent threshold on July 1 and on that day amounted to 11.35 percent (equivalent to 1,658,672 voting rights). According to Section 22, paragraph 1, sentence 1 number 6 of the German Securities Trading Act (Wertpapierhandelsgesetz, WpHG), 9.21 percent of the voting rights (equivalent to 1,346,672 voting rights) are attributable to the company.

Appointment and dismissal of members of the Executive Board

The appointment and dismissal of members of the Executive Board is governed by Section 84 paragraph 3 und Section 85 of the German Stock Corporation Act (Aktiengesetz, AktG) in conjunction with Article 9, paragraph 1 c (ii) and Article 39 of the 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 Corporation 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. Section 15, paragraph 3 of the by-laws of CANCOM SE contains such a provision. According to this provision, resolutions to change the by-laws require a majority of two-thirds of the votes cast, or, if at least half of the capital stock is represented by a simple majority of the votes cast. In cases where the law additionally requires a majority of the capital stock represented in the vote on the resolution, a simple majority of the capital stock represented in the vote on the resolution will suffice, unless stipulated otherwise by law. 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 1.1. of the remuneration report for details of these agreements.

4. Remuneration report

The remuneration report contained in the corporate governance report on page 15, in accordance with section 289, paragraph 2, number 5 and section 315, paragraph 2, number 4 of the German Commercial Code (Handelsgesetzbuch, HGB), forms a part of the combined management report.

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

In compliance with Section 289a of the German Commercial Code (Handelsgesetzbuch, HGB) CANCOM has published a corporate governance declaration on the company's website that can be freely accessed.

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. There are always certain 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.

CANCOM's management closely monitors market trends and assesses 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.

Ongoing risk management, on the other hand, is necessary for efficient monitoring and early identification of risks and is thus also an integral component of the strategic and business development as well as the internal monitoring and control system of the CANCOM group. CANCOM'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 dealing with them in a responsible way.

Risk management system

The internal control and risk management system in relation to the group accounting process

The internal control 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 business areas with the greatest involvement in the accounting process are clearly divided. The areas of responsibility are clearly allocated.

- Integrity and responsibility in regard to finance 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 announcements, 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 (ICS) – 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.

- Both the risk management system and the internal control system (ICS) 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.

The internal control and risk management system with regard to the accounting process 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 staff, the use of 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.

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 and evaluate risks. One of the prime objectives of risk management is the early identification of major risks and those that might jeopardize the future of the company as a going concern, as well as the initiation of appropriate measures as part of the risk control process to minimize or prevent any loss caused to the enterprise when a risk materializes.

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

CANCOM's risk evaluation process starts by grouping the identified risks into thematic clusters. The probability that these risks will materialize is then assessed and the potential loss determined. All the risks identified 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.

Three categories are used to distinguish between the levels of probability that a risk will materialize: low, medium and high. The severity of the potential loss associated with the individual risk is also ranked according to these categories. The individual risks are arranged in a risk matrix, where they are allocated to various risk classes according to the above dimensions. The tables below outline the two dimensions and show the resulting risk matrix.

PROBABILITY OF OCCURRENCE

Probability of occurrence	Definition
Low	Probability < 33%
Medium	Probability 34% to 66%
High	Probability > 66%

POTENTIAL LOSS

Potential loss	Definition
Low	Minor negative impact on the earnings, asset and financial situation
Medium	Significant negative impact on the earnings, asset and financial situation
High	Major negative impact on the earnings, asset and financial situation

RISK MATRIX

Probability of occurrence	Potential loss		
	Low	**Medium**	**High**
High	Moderate risk	High risk	High risk
Medium	Low risk	Moderate risk	High risk
Low	Low risk	Low risk	Moderate risk

For risks to the company as a going concern, CANCOM's risk management system has defined 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.

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 potentially have a negative impact on the CANCOM group. It is not possible to rule out the existence of other risks that are not yet known or that are currently felt to be insignificant, and which could be equally damaging to the business in the future. In principle, all the risk factors referred to below concern both operating segments (cloud solutions and IT solutions) equally. If one of the two business fields is particularly affected by one of the risks, this will be pointed out in each case.

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 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. 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. Insufficient knowledge of the market and the competition could result in wrong decisions – or a failure to make decisions – with regard to both the marketing mix and how to approach the market, and the group's strategic and tactical product and pricing policy.

This could be detrimental to the group's sales performance and result in perseverance in already saturated markets, as well as risky investments in new business fields with uncertain market success. CANCOM guards against these risks by means of regular analysis of research information and discussions with clients, experts and IT analysts as well as continuous reviews of market attractiveness, the competitive situation and sales patterns.

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 systems providers, which are increasingly attempting to gain a market share in the operating 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 IT 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, in terms of finance, technology, marketing or 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's integrated portfolio of products and services, carefully tailored to the target groups, makes it stand out from the competition.

In order to counter the industry and market risks, CANCOM is constantly adapting its organizational structure, its processes and its range of products and solutions to the current market conditions and to clients' requirements. In particular, it focuses on the expansion in business fields with higher growth potential (cloud computing, shared managed services etc.). Unlike projects exclusively involving the integrated systems business, contracts for projects in these new business areas generally run over several years, reducing the group's dependence on short-term trends in the economy. In addition, CANCOM conducts in-depth analyses of the market and technologies on an ongoing basis to enable it to identify new trends early and ensure that the group remains competitive.

We cannot rule out the possibility that one or more of the risks described might materialize. 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. CANCOM therefore considers the industry and market risk to be high. There has not been any change in the classification of this risk in comparison with 2013.

There are risks from direct sales by manufacturers

The CANCOM group is increasingly in direct competition with manufacturers of hardware and software. Whereas in the past manufacturers predominantly distributed their products through intermediaries such as CANCOM, there is now an increasing tendency for manufacturers in the sector to engage in retail sales. This creates additional price and competitive pressure for the CANCOM group.

If the manufacturers succeed in establishing their direct sales business more firmly, this could have a substantial negative impact on the group's assets, financial and earnings position.

CANCOM feels its flexibility and service quality give it a definite competitive advantage over manufacturers in its core target market – high-end medium sized enterprises – and is working to boost its competitive edge by means of appropriate measures.

We cannot rule out the possibility that this risk might materialize. CANCOM estimates the probability of occurrence as medium. Depending on the individual case, this risk could have a moderate adverse impact on CANCOM's business activities and its assets and earnings position. CANCOM therefore considers the risk to be moderate.

Product and technology risks

There is a risk that the solutions and services of the CANCOM group might not meet the latest requirements of its clients or comply with changed regulatory requirements, owing to technological change or new trends.

The IT sector is subject to rapid technological change. In particular, the market is shaped by rapid development of technologies, 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 predict well in advance any new trends and developments, such as in cloud computing and data protection. 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 in the introduction of improved or new solutions or services as part of the product portfolio, or failure to take account of them, or any lack of acceptance or delayed acceptance of these solutions or services on the market, can have a serious impact on the competitive position and the business prospects of 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.

To minimize this risk, CANCOM maintains strong relationships with all major manufacturers and many well-known IT experts. This ensures that CANCOM is always informed at an early stage with regard to the latest developments in the market.

We cannot rule out the possibility that one or more of these risks might materialize. CANCOM estimates the probability of occurrence as medium.

Depending on the individual case, this risk could have a major adverse impact on CANCOM's business activities and its assets and earnings position. CANCOM therefore considers the risk to be high. There has not been any change in the classification of this risk in comparison with 2013.

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

The CANCOM group purchases its products, especially hardware and software, from manufacturers or dealers, and is dependent on the products being of high quality and meeting the relevant specifications and standards of quality. In the event of any faults coming to light within the warranty period, the CANCOM group can usually be compensated by its suppliers. Owing to delays between purchasing the merchandise from suppliers and selling it on to clients, however, there may be warranty claims from clients against the CANCOM group for which the group itself cannot claim compensation from suppliers, so that it bears the warranty risk.

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 their level of integration into clients' processes. These risks could have a serious impact on clients' business processes. With the AHP Private Cloud platform 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, incorrect configurations, or in connection with 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.

CANCOM takes extensive precautions to minimize these risks, for instance to safeguard the operation and provision of cloud services. This includes the use of redundant data centers secured against storm damage. The probability of being unable to provide business-critical applications is significantly reduced, for instance, by a modular process based on the on-demand principle. PIRONET's data centers also have an information security management system certified to the stringent ISO 27001 standard, including extensive, tried and tested contingency plans. Additionally, CANCOM is seeking to add limitation of liability clauses, as commonly used in the industry, to the contracts relating to the services and project business concerned.

We cannot rule out the possibility that one or more of these risks might materialize. CANCOM estimates the probability of 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. CANCOM therefore considers the risk to be high. There has not been any change in the classification of this risk in comparison with 2013.

Project and business 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 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 partly of fully losing investments it has made, or not being able to invoice for work performed. If, for a justified or unjustified reason, a client refuses to accept the results of a project, this can lead to expected 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 price adjusted to the new situation.

In cloud computing, there is also a major risk that various agreed services cannot be provided and that outages of all kinds might result for the client. 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. Its 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 carried out 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 are subject to 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.

We cannot rule out the possibility that one or more of the individual risks connected with projects might materialize. 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. CANCOM therefore considers the risk to be high. There has not been any change in the classification of this risk in comparison with 2013.

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. CANCOM seeks to minimize this risk by constantly expanding the client base and by maintaining strong relationships with its clients.

We cannot rule out the possibility that this risk might materialize. 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. CANCOM therefore considers the risk to be high. There has not been any change in the classification of this risk in comparison with 2013. This risk factor is of particular relevance for the IT solutions segment.

Risks from dependence on large clients

Thanks to its good market position, CANCOM has an extremely broad client base. However, in principle there is a risk from dependence on individual large clients in some sections. A significant reduction in orders from a major client, or the loss of a key account 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.

To limit this risk, CANCOM is constantly working to expand and further diversify its client base. All the activities of large clients are monitored on an ongoing basis – from incoming orders to receivables management.

We cannot rule out the possibility that this risk might materialize. 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. CANCOM therefore considers the risk to be high. There has not been any change in the classification of this risk in comparison with 2013. This risk factor primarily concerns the IT solutions segment.

Financial risks

Liquidity and counterparty risks

A downturn in the cash situation of a company can bring with it considerable risks, which could endanger the future of the company as a going concern. At the reporting date, CANCOM had a liquidity position of € 114.3 million and credit facilities (including guarantees) of € 38.8 million provided by banks. Of this amount, € 32.4 million was easily available as at December 31, 2014. 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 companies of the reporting entity 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.

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 facilitates 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.

Financial market and stock market price risks

A major objective of CANCOM SE is to acquire, hold and sell long-term 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 communications 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. However, external factors, for instance uncertainty in the economy or in the capital market with resulting fluctuations in prices, cannot be ruled out.

Default risk

Default on payment by clients can pose a risk. To counter this risk, CANCOM has a rigorous 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 more of the individual risks described under financial 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 has not been any change in the classification of this risk in comparison with 2013.

Human resources risks

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

Larger projects involving services give rise to increased risks connected with the deployment of staff. The loss of big projects can lead to increased staff costs, since often employees cannot be usefully deployed on other projects, or there are delays in readjusting staffing. CANCOM counters the risk of high employee turnover in the group by a culture of open communication and access to information, in addition to appropriate measures for employee motivation and development. The latter are an important cornerstone of human resources policy, as they are designed specifically to build employee loyalty and increase technical competence and expertise in the enterprise. The loss of key staff in the company, on whose knowledge and familiarity with clients CANCOM's success depends, at least in the short term, constitutes a further risk. Continual monitoring of the productivity of individual employees makes it possible to identify at all times the key employees and devote particular attention to them. CANCOM also applies various measures for long-term employee retention. In addition, there are appropriate rules on deputizing, particularly in sensitive and knowledge-intensive areas, to compensate as well as possible for the unexpected absence of an employee, at least in the short term. Nevertheless, there is a risk that the shortage of specialist staff in the IT sector could make future recruitment difficult.

One of the ways in which CANCOM counters this is by appropriate measures to boost its image as an employer and by offering various training measures and further education for employees. For this reason, the management feels that despite the human resources risks described, with CANCOM's current strong market position 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.

We cannot rule out the possibility that one or more of these risks might materialize. 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. CANCOM therefore considers these human resources risks to be moderate. There has not been any change in the classification of this risk in comparison with 2013.

Risks from legal changes resulting from the German Temporary Employment Act (Arbeitnehmerüberlassungsgesetz, AÜG)

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

We cannot rule out the possibility that this risk might materialize. However, CANCOM currently estimates the probability of its occurrence as low.

Depending on the individual case, this risk could have a moderately adverse impact on CANCOM's business activities and its assets and earnings position. CANCOM therefore considers this risk to be low. This risk is thus classified as being lower than in 2013.

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 innovative solutions, 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 partly or fully revealed to third parties, this could result in the erosion of the competitive advantage CANCOM has gained, resulting in a reduction in sales and income opportunities.

CANCOM has taken various organizational precautions to protect confidential information. These range from putting in place technical security measures covering internal and external communication, to making employees aware of the subject through internal training.

We cannot rule out the possibility that the risk described above might materialize. 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. CANCOM therefore considers this risk to be moderate. There has been no change in the assessment of this risk in comparison with 2013. This risk factor primarily concerns the cloud solutions segment.

Operational risks

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 one or more areas to a temporary standstill. In addition there is the risk of problems with quality, particularly in the areas of the IT solutions segment and the cloud solutions segment 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. The highest possible level of risk control is ensured by experienced employees as well as tried, tested and trusted administration and controlling systems, and the risk management system, which is continually adapted to reflect the latest developments and requirements.

We cannot rule out the possibility that one or more of the individual risks described above might materialize. CANCOM estimates the probability of their 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. CANCOM therefore considers the operational risks to be moderate. In 2013 this risk was classified as low.

The CANCOM group is dependent on its suppliers.

CANCOM relies on its manufacturers and/or distributors for the 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 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.

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, with a possible negative impact on the financial, assets and earnings position of the CANCOM group.

To reduce the warehousing risk, CANCOM is constantly working to optimize its procurement process. By maintaining close links with manufacturers and distributors, CANCOM always endeavors to keep inventories and warehousing costs as low as possible while at the same time avoiding short-term shortages.

We cannot rule out the possibility that one or more of the individual risks described above might materialize. CANCOM estimates the probability of their occurrence as low. Depending on the individual case, this risk could have a moderately adverse impact on CANCOM's assets and earnings position. CANCOM therefore considers this operational risk to be low. There has not been any change in the classification since 2013.

The business activities of the CANCOM group could be affected by operational malfunctions, 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. This or a delay in restoring the systems to normal operation could 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 smooth order processing is no longer safeguarded. CANCOM is aware of this risk, and therefore makes every effort to minimize it in order to ensure the availability of IT systems as well as possible. However, disruptions or 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 more of the individual risks described above might materialize. CANCOM estimates the probability of their occurrence as medium. Depending on the individual case, these risks could have a major adverse impact on CANCOM's business activities and its assets and earnings position. CANCOM therefore considers these operational risks as a high risk. In 2013 this risk was classified as low.

Legal risks

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

The CANCOM group is not aware of violating any third party's industrial property rights in connection with the products, solutions and services it offers. However, 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, staff and money. At the time this management report was written, there were no contingent liabilities resulting from major legal disputes or relevant litigation risks. 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 of industrial property rights in the sector in which the CANCOM group operates.

We cannot rule out the possibility that this legal risk might materialize. CANCOM estimates the probability of its occurrence as medium. Depending on the individual case, this risk could have a moderate adverse impact on CANCOM's business activities and its assets and earnings position. CANCOM therefore considers this risk to be moderate. There has not been any change in the classification of this risk since 2013.

Merger and acquisition (M&A) risks

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 long-term 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 long-term 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 materialize that were not identified or that were wrongly assessed in the due diligence process. Additionally, key employees 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 key employees, 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 expenditure 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 to the extent planned. If one or more of these risks materialize, this could result in the partial or entire loss of any money invested and, in certain circumstances, the necessity that assets must be written down in the balance sheet due to impairment.

From its experience of previous acquisitions and the expertise it has built up in the integration of companies into the group, CANCOM can actively manage the potential risks associated with M&A processes. 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.

We cannot rule out the possibility that one or more of the M&A risks described above might materialize. 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. CANCOM therefore considers this risk to be high. There has not been any change in the classification of this risk since 2013.

Review of overall risk

Overall, there was no major change in the evaluation of the individual risks described in comparison with 2013. Against the background of the overall risk situation, therefore, the management of CANCOM SE does not 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 2015 we can continue to successfully meet the challenges arising from the risks described.

Opportunities of future development

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

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

General market trend

Increasing efficiency and reducing costs are the main concerns in 2015. Additionally, there is a need for greater speed in the provision of IT services, as well as more innovation, more data security, and better analysis and use of information. This is why the market research company IDC believes that in 2015 global expenditure on ICT solutions will increase by 3.8 percent to more than US$ 3.8 billion. Almost all of the growth will be concentrated on what is commonly known as 'third platform technologies'. These are solutions using components of mobile computing, cloud, big data and analytics, as well as social media.

This means the pressure on IT departments to maximize efficiency continues to be high, while IT systems are becoming increasingly complex. However, departments are demanding 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. A survey conducted by the consulting services company Capgemini has shown that 38.1 percent of chief information officers (CIOs) and information technology (IT) officers expect their IT budgets to remain unchanged in 2015, while more than one-third expect them to increase. An increase of up to 10 percent in 2016 and 2017 is expected by 35.6 percent and 39.4 percent of respondents respectively. These positive estimates indicate that many companies have already planned large projects which, owing to their strategic importance, they plan to implement even if there is a slowdown in the economy.

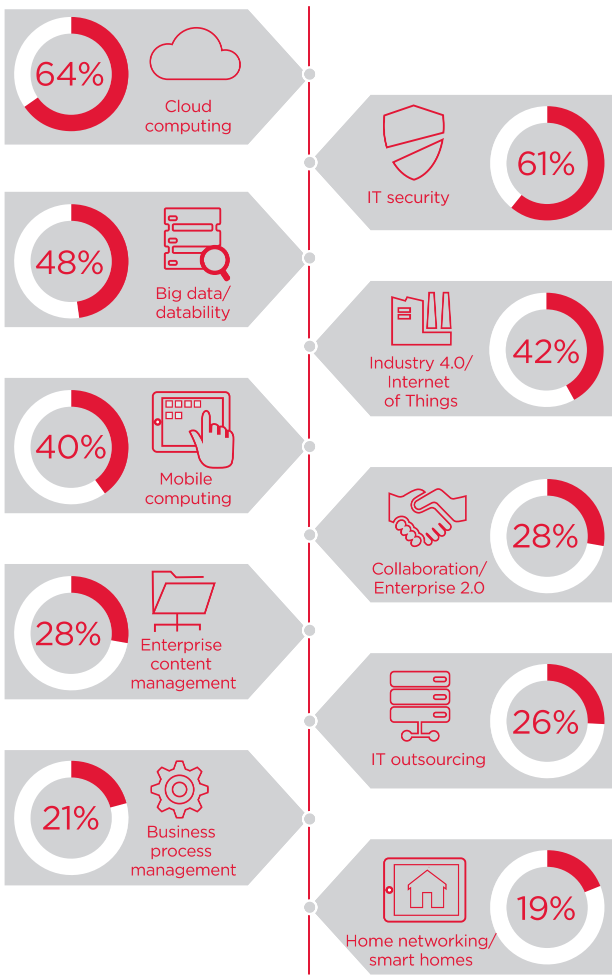
Mobility, working over the Internet and the use of cloud services are currently the most important influences on developments in information technology. At the same time, IT is playing an increasingly important role in almost all sectors of the economy. Industry and manufacturing are facing new technological trends. The 'fourth industrial revolution' – the digitization and networking of production – is one of the hot topics in 2015. In the retail trade, the integration of online media and state-of-the-art IT systems, scenic visual product presentations and virtual worlds at the point of sale (POS) are gaining importance, opening new opportunities for marketing and distribution. On top of this, IT is of great importance in areas such as health, banking and insurance, the automotive and energy industries, and research and teaching. For CANCOM there is an opportunity to position itself as a trusted advisor and provide companies with the consulting and services support they need to develop their business models.

Trends

The digital revolution is changing the value chain in all companies and sectors. IT is becoming a major driver of innovation. The interaction between IT and business puts companies in a considerably better position and opens new business opportunities. However, digital transformation also means the challenge of adapting fast enough to the new technological environment to survive in the market.

Analysts at IT market research institute Gartner have defined the ten most strategically important technology trends for the coming year. These include digital transformation, particularly cloud computing, as well as IT security, datability and the Internet of Things.

The ten most important high-tech areas of 2015:



The most important technology and market trends that will shape the German ICT market in 2015. Source: BITKOM, January 2015
Source: BITKOM, January 2015

Cloud and mobility

For business managers, the most important IT requirement in 2015 is to be able to use applications in the same way on all terminals and devices. Staff members want to use their smartphones and tablets to access the same applications that they use on their desktop – in the way they are accustomed to using them. In the view of market research company IDC, therefore, companies are not only required to provide mobile apps for users, but also to enable consistency of use across all devices. The introduction and expansion of enterprise mobility management (EMM) software is the second most important mobility initiative of the year for IT managers. Almost a third of companies surveyed intend to introduce EMM software in 2015.

This means the number of companies now using mobile device management (57 percent), mobile content management (51 percent) and mobile application management (48 percent), will continue to rise. This finding is in line with IDC's estimate for the EMM market in Germany. IDC forecasts average annual growth of 11 percent up to 2018. This means that over the coming years EMM will grow twice as fast as the software market in Germany as a whole. Two obvious trends in EMM software can be identified. One is that increasing numbers of companies are no longer looking for individual solutions for mobile device management, mobile application management or mobile content management - instead they want integrated EMM suites. The other is that the use of cloud-based tools will gain increased importance in the next 24 months. These developments should have a positive impact on CANCOM's solutions and services business. CANCOM operates its own competence center for mobile solutions and has proven expertise and several years' project experience in this environment. By using cloud solutions, 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.

The independent IT research and consulting company Crisp Research expects the German market for cloud computing to grow over the next three years up to a volume of € 28.5 billion in 2018. For the current year, it expects German companies to invest approximately € 10.9 billion overall in cloud computing, i.e., cloud services, technologies and integration and consulting. The use of cloud computing enables companies to choose flexible, consumption-based accounting models, as well as offering them the opportunity to reduce IT investment and operating costs. Business cloud solutions also offer the advantage of allowing new locations and companies to be connected up within a very short time, with hardly any loss of productivity. Owing to the ongoing process of consolidation in many sectors, therefore, there is a possibility that mergers and acquisitions, with resulting IT structuring, will provide an additional stimulus to the market, which should benefit CANCOM. The migration of traditional IT landscapes into cloud environments also requires a profound and complex transformation process at end-user companies. Companies often lack the cloud skills necessary to meet these challenges. This opens up a market for advisers, cloud architects, systems integrators and managed services providers, which experts estimate will be worth around € 2.9 billion in 2015 alone. This gives rise to many new opportunities for providers such as CANCOM.

With its business cloud solution, which is based on the private cloud reference architecture developed in-house (AHP), the CANCOM group demonstrates how the state-of-the-art workplace of the future can look. It optimizes the secure provision and management of company applications and data from a data center of choice and delivers a complete IT workplace on any device or terminal desired. It is due to its business cloud solution that the Experton Group named CANCOM one of the leading cloud transformation partners in Germany on the basis of its Cloud Vendor Benchmark study in 2014. The Experton analysts' evaluation recognizes CANCOM's capabilities as a competent partner providing professional support to companies facing the challenges of adopting what is referred to as the 'new style of IT'. They awarded the group the title of Cloud Leader 2014.

IT security

According to a recent study by the NIFIS, the German National Initiative for Information and Internet Security, 81 percent of companies are strengthening the actions they take to protect themselves against surveillance. The PRISM scandal and subsequent scandals have raised awareness of the need for data protection among 88 percent of German businesses. For 79 percent of companies, efforts are focused on protection against hackers. However, it is not only attacks from external sources that must be prevented. For instance, IT outages for technical reasons can interfere with operational processes, sometimes causing high costs. There is an additional threat from shadow IT, Internet applications and services used by employees in addition to corporate software.

According to the NIFIS study, the increased need for security also extends to the use of cloud computing. More than two-thirds of German businesses (69 percent) want better security in cloud computing, with 77 percent of companies saying they based their choice of cloud provider on what data protection laws they are subject to. 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 presents good 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 continuity of its clients and increasing their IT efficiency.

Big data

Due to the pervasiveness of information and communication technology in almost all areas of life and work, companies inevitably face a further challenge in big data. This creates opportunities for IT service providers such as CANCOM. Data in quantities as large as terabytes and petabytes necessitates new processes, algorithms and business processes for administration, processing and analysis. As improved analysis and use of information becomes more important in 2015, so also does data quality and master data management. Both issues have been considered important for many years and have been the subject of many new projects. However, according to Capgemini, the many new sources of data being connected, including data from the Internet and the Internet of Things, are making the digital data world increasingly complex. Data quality and master data management are important in safeguarding the quality of both structured and unstructured data. There is therefore a trend toward dynamic infrastructure, which includes both existing data centers and future requirements for big data projects. For the next few years, 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 in this area.

Industry 4.0

A new addition to the five most important high-tech areas this year, according to the latest annual trend survey by the IT industry association BITKOM, is Industry 4.0, which was cited by 42 percent of those surveyed. The BITKOM President, Professor Dieter Kempf, commented: 'Industry 4.0 is currently experiencing the highest growth, making it the trend area of the year in BITKOM's sector. The digitization of the manufacturing industry is of fundamental importance for the competitiveness of the German economy.' The concept of Industry 4.0 applies the principles of the Internet of Things to the manufacturing industry, merging the physical world with the virtual world in production. One practical application is the predictive maintenance of machinery and plant on the basis of real-time data. According to IDC, machinery and plant manufacturers intend to take advantage of Industry 4.0 to expand their services business by using intelligent, networked machines. Overall, the industrial enterprises surveyed were optimistic that the plans can be realized within a reasonable period and that they will have an impact on all areas of their production and engineering.

BITKOM forecasts that productivity can be increased by approximately € 78 billion by the year 2025 in six major economic sectors. Machinery and plant manufacturers, the automotive industry and suppliers to the automotive industry, electronic equipment and the chemical industry will benefit most from the fourth industrial revolution. With its industrial solutions portfolio, which is tailored to the needs of the sector, the CANCOM group could also benefit.

Collaboration and social media

Companies' use of social media, blogs and wikis continues to increase. Social networks such as Facebook, Google+, LinkedIn and Xing, and Internet video portals such as YouTube , continue to be important for company communication and online sales in 2015. 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, employees and other interested groups.

Social business is no longer just hype. According to a study by Experton Group, the German market for social business is growing rapidly and gaining great importance: between 2013 and 2019 investments in, and expenditure on, social business products and services by German companies will grow from € 1.2 billion to € 7.8 billion. That means average annual growth of around 36 percent. So the shift towards social business is being well received, but it also places demands on companies. The need for support in transformation processes means that transformation services account for the greatest share of the German social business market – and their share is growing. Certain technological and organizational conditions must be in place before a company can use social media. With its many years of expertise in systems integration, CANCOM can provide its clients with professional advice and support, in particular with regard to the technological implementation of social media systems and their integration into existing IT landscapes.

IT outsourcing

IT outsourcing and cloud services – the purchasing of IT resources as a service via the Internet – continue to be in 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). A recent in-depth analysis by Capgemini shows that the volume of outsourced services is continuing to grow in comparison with 2014. 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 service business.

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. The group faces changes in the market by being flexible and constantly optimizing and efficiently adapting the portfolio, structures and processes within the group. 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 2,000 highly skilled employees in its professional services division, CANCOM offers IT solutions and managed services tailored to individual needs, so creating 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.

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 IT 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 makes available the necessary resources for the group to pursue the opportunities presented.

7. Events of particular significance after the reporting date

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

8. Forecast

The German economy in 2015 is enjoying a moderate upturn. According to the federal government's latest annual economic report, the German economy is benefiting from the low oil price and the sustained level of consumer spending. On the labor market, a further record level of employment growth is expected. The economic barometer of the German Institute of Economic Research (Deutsches Institut für Wirtschaftsforschung, DIW) indicates that gross domestic product will grow by 0.2 percent in the first quarter of 2015 in comparison with the previous quarter. The further economic outlook is favorable, in the view of DIW. Economic experts believe the global economy should gain some momentum.

Gross domestic product 2015*
(real change compared with 2014, as a percentage)

Germany	+ 1.5
Euro area	+ 1.0
U.K.	+ 2.5
U.S.A.	+ 3.7
World	+ 3.4

* Forecasts: German Federal Ministry for Economic Affairs and Energy, January 28, 2015; Deutsche Bank Research, January 22, 2015

The IT market will continue to be shaped by strong growth and innovation. The complexity and variety of solutions, and thus also the demands placed on company IT departments, will continue to increase – driven, among other things, by changed work and usage patterns. Universal networking and the Internet of Things are increasingly driving the development of business models, production processes and products, across all sizes of organization and in all areas of the economy. Against this background, a rise in the demand for innovative and intelligent IT solutions can be expected.

The IT sector in 2015 should therefore be characterized by a positive performance from globally operating IT companies. In its latest economic survey, the German Association of the Information Industry, Telecommunications and New Media (BITKOM) found that the majority of IT companies in Germany expect an increase in sales.

Revenues from software, IT services and hardware are expected to grow by 2.4 percent to € 79.7 billion – significantly faster than the German economy as a whole. However, great variations are expected in the performances of the individual market segments.

The strongest growth, as in previous years, will be in the software segment, which should grow by 5.5 percent to € 20.2 billion. According to the forecast, sales revenues from IT services will rise by as much as 3.0 percent, to € 37.4 billion. This growth will be driven, among other things, by big data and cloud computing. According to a forecast by Experton Group, the business client market for cloud solutions alone should expand by 39 percent to € 8.8 billion in 2015. Weaker growth is forecast for the IT hardware segment than for the software and services market. BITKOM believes that, following an increase of 5.8 percent in 2014 due to replacement investments in desktop PCs and notebooks, a decline of 1.2 percent to € 22.1 billion can be expected in 2015.

Growth forecast for the German IT market 2015 **
(real change compared to 2014, as a percentage)

IT market as a whole	+ 2.4
Hardware	- 1.2
Software	+ 5.5
Services	+ 3.0

** Forecast: BITKOM, December 2014

Cloud computing has brought about profound change in corporate IT systems. However, analysts at Experton Group believe that this change has most likely only just started. The growth prospects for this segment of the IT market are accordingly positive, including the long term. According to the latest forecasts, expenditure by German companies on cloud technologies, cloud services and related consulting and integration services (cloud transformation) should grow from € 6.6 billion in 2014 to € 21.0 billion in 2018. In 2015 alone, the cloud market volume is expected to increase to € 9.2 billion. The NSA scandal has resulted in many companies turning their backs on the public cloud and on U.S. providers in particular. This should benefit both local cloud providers and private cloud providers such as CANCOM.

Anticipated performance of the CANCOM group

CANCOM aims to continue growing, both organically and through acquisitions, in its two operating segments at a faster rate than the IT market and to continuously expand its market share thanks to its proven expertise and outstanding market position in the IT growth areas of cloud computing, mobility, IT security and managed services. For this purpose, CANCOM geared its business policy to the IT growth areas at an early stage, and its sales and services structure have been designed around them. With its integrated portfolio of services across all areas of IT, and its flexibility in providing individually tailored packages for its clients, CANCOM has major client advantages to enable it to penetrate the market even further. In addition, the increasing complexity of IT is stretching smaller integrated IT systems providers to the limits of their capabilities. This, combined with the withdrawal of larger providers from individual business segments, could result in the CANCOM group gaining new clients and orders – with positive impacts on the IT solutions and cloud solutions business.

In order to take advantage of the trends and efficiently translate them into solutions for its clients, CANCOM supports the professionalism of its staff members through individual professional development and appropriate skills certification measures. With this aim in mind, CANCOM is building on strong, close partnerships with the manufacturers of leading technologies. It uses professional recruiting to gain highly-qualified specialists as employees, while constantly developing the group's existing high-potential staff and encouraging them to acquire enhanced management and project-related skills.

In the past fiscal year, the Executive Board set the course for further growth and good performance in the future. CANCOM focuses on profitable business in the traditional IT environment and withdraws without hesitation from low-growth or declining areas. It is planned to pursue further the integration of the acquired companies and the exploitation of synergies. In the fiscal year 2014, restructuring measures were implemented in the group, and these should lead to a future increase in the group's profits. Attractive profit margins can be attained in the IT solutions operating segment from the sale of integrated IT solutions, consisting of consulting, integration and services. The increase in digitization, cloud transformation and the continuing enhancement of existing technologies and development of new ones, could lead to an increase in the trading volume of the traditional business owing to the necessity for investments in standard IT infrastructure. In the cloud solutions operating segment, the expansion of cloud and shared managed services should lead to profitable growth in recurring revenue. The IT solutions and cloud solutions operating segments benefit from each other's business, due to the interactions between the CANCOM units across the group and the fact that the provision of integrated solutions for clients usually requires input from both areas.

CANCOM has expanded its market presence and improved its client proximity in the German-speaking area (i.e. Germany, Austria and Switzerland). The group is represented all over Germany and Austria by its many service and consulting locations. Through its subsidiaries in the U.S.A. and Belgium, as well as its global partner networks, the CANCOM group has an international presence in selected markets. CANCOM plans to continue to strengthen its market position, primarily in the IT environment in the German-speaking area, partly through selective acquisitions, taking advantage of economies of scale and synergies in the market. 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. This forecast does not take into account the impact of legal or regulatory matters.

Outlook for the CANCOM group

Against the background of the group's successful performance in 2014 and in view of its favorable positioning in the IT market as a whole and in the emerging market of cloud computing, the Executive Board expects further growth and an improvement in the profits of the group if the demand for IT products and services remains steady.

The growth forecast by CANCOM SE for the fiscal year 2014 was largely based on acquisitions. Of the 35 percent total growth in sales revenues, 8.6 percent was organic, with the group focusing more and more on profitable turnover rather than simply increasing sales volumes.

The Executive Board currently expects a further increase in the sales revenues and gross profit of the group as a whole in the fiscal year 2015. The growth of the CANCOM group should continue to exceed the growth of the German IT market, the market of relevance to the group. In the fiscal year 2015, the Executive Board anticipates acquisition-based growth to ease off in both operating segments in comparison with 2014. There are takeover targets, but many of them are not sufficiently interesting in terms of their price. Although it is difficult to forecast, it is assumed that the organic growth of the group will continue at a rate comparable to that in 2014, with acquisition-based growth at a similar rate. The Executive Board anticipates a further increase in the CANCOM group's EBITDA, which should grow at a higher rate than the organic growth in sales revenues owing to an improved product mix.

CANCOM SE believes the sales revenues, gross profit and EBITDA generated by the IT solutions operating segment will grow faster than the market. For the cloud solutions operating segment, the Executive Board expects significant increases in sales revenue, gross profit and EBITDA.

Munich, Germany, March 10, 2015

Klaus Weinmann Rudolf Hotter

The Executive Board

Disclaimer regarding forward-looking statements
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', 'calculate', 'intend', 'could', 'plan', 'should', or similar, are used to indicate forward-looking statements. All statements with the exception of facts regarding the past are forward-looking statements. These statements include expectations regarding the availability of products and services, the financial and earnings position, the business strategy and the Executive Board's plans for future operating activities, economic performance and all statements regarding assumptions. Although we take the greatest of care when making these statements, 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: extreme political influences, 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.

Consolidated balance sheet as at December 31, 2014

ASSETS

(in € 000)	Notes	Financial statements Dec. 31, 2014	Financial statements Dec. 31, 2013
Current assets			
Cash and cash equivalents	C.1.	114,295	77,733
Assets held for sale	C.2.	2,291	0
Trade accounts receivable	C.3.	134,846	112,949
Other current financial assets	C.4.	7,522	3,508
Inventories	C.5.	22,658	15,481
Orders in process	C.6.	560	791
Prepaid expenses and other current assets	C.7.	3,535	1,687
Total current assets		**285,707**	**212,149**
Non-current assets			
Property, plant and equipment	C.8.1	37,654	20,493
Intangible assets	C.8.2	34,295	22,611
Goodwill	C.8.3	66,923	31,362
Investments		67	62
Financial assets accounted for using the equity method	C.8.4	393	28,940
Loans	C.8.5	1,501	60
Other financial assets	C.9.	4,662	2,502
Deferred taxes arising from temporary differences	C.10.	3,071	1,074
Deferred taxes arising from tax loss carryover	C.10.	4,238	196
Other assets		771	169
Total non-current assets		**153,575**	**107,469**
Total assets		**439,282**	**319,618**

EQUITY AND LIABILITIES

(in € 000)	Notes	Financial statements Dec. 31, 2014	Financial statements Dec. 31, 2013
Current liabilities			
Short-term loans and current component of long-term loans	C.11.	1,711	770
Profit-participation capital and subordinated loans short-term portion		1,985	0
Trade accounts payable		108,440	98,987
Prepayments received		9,040	6,560
Other current financial liabilities	C.12.	3,629	1,947
Other provisions	C.13.	4,753	1,994
Prepaid expenses and deferred income		2,413	1,397
Income tax liabilities	C.14.	7,186	1,889
Other current liabilities	C.15.	28,295	20,624
Liabilities in connection with assets held for sale		2,022	0
Total current liabilities		**169,474**	**134,168**
Non-currant liabilities			
Long-term debt	C.16.	3,632	4,813
Convertible bonds	C.17.	39,144	0
Profit-participation capital and long-term loans	C.18.	4,332	5,926
Prepaid expenses and deferred income	C.19.	3,130	3,249
Deferred taxes arising from temporary differences	C.20.	10,552	5,210
Pension provisions	C.21.	1,796	110
Other non-current financial liabilities	C.22.	2,843	1,744
Other long-term liabilites	C.13.	10,588	1,719
Total non-current liabilities		**76,017**	**22,771**
Equity			
Capital stock	C.23.	14,880	14,616
Additional paid-in capital		110,197	94,578
Net income (incl. retained earnings)	C.23.	59,967	53,422
Currency translation difference and exchange rate difference		519	-32
Minority interest		8,228	95
Total equity		**193,791**	**162,679**
Total equity and liabilities		**439,282**	**319,618**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in € 000)	Notes	Jan. 1, 2014 - Dec. 31, 2014	Jan. 1, 2013 - Dec. 31, 2013
Sales revenues	E.1.	828,861	613,793
Other operating income	E.2.	1,240	1,064
Other own work capitalized	E.3.	1,569	407
Total operating income		**831,670**	**615,264**
Cost of purchased materials and services		-573,972	-428,729
Gross profit		**257,698**	**186,535**
Personnel expenses	E.4.	-166,421	-123,504
Depreciation on property, plant and equipment and amortization of intangible assets		-22,864	-10,730
Other operating expenses	E.5.	-39,639	-29,933
Operating income		**28,774**	**22,368**
Interest and similar income	E.6.	450	312
Interest and other expenses	E.6.	-2,968	-1.374
Profit/loss from associated companies accounted for using the equity method		119	-146
Foreign currency exchange gains/losses		-9	-15
Profit before taxes		**26,366**	**21,145**
Income tax expense	E.7.	-9,069	-6,856
After-tax profit/loss from continuing operations		**17,297**	**14,289**
Profit/loss from discontinued operations	E.8.	-6,000	0
Net income for the period		**11,297**	**14,289**
thereof attributable to the stockholders of the parent		12,660	14,335
thereof attributable to minority interests	E.9.	-1,363	-46
Average number of stocks outstanding (basic)		14,748,767	11,765,692
Average number of stocks outstanding (diluted)		15,558,481	11,765,692
Earnings per share from continuing operations (non-diluted) in €		**1.27**	**1.22**
Earnings per share from continuing operations (diluted) in €		**1.20**	**1.22**
Earnings per share from discontinued operations (non-diluted) in €		**-0.41**	**0.00**
Earnings per share from discontinued operations (diluted) in €		**-0.39**	**0.00**

STATEMENT OF COMPEHENSIVE INCOME

(in € 000)	Jan. 1, 2014 - Dec. 31, 2014	Jan. 1, 2013 - Dec. 31, 2013
Net income for the period	**11,297**	**14,289**
Other income		
Items possibly reclassified in profit or loss		
Currency translation difference	789	-30
Discrepancy resulting from change in price of securities	0	0
Income taxes	-241	9
Items not to be reclassified in profit or loss		
Change of actuarial gains/losses from pensions	-386	0
Deferred taxes from change of actuarial gains/losses from pensions	118	0
Other after-tax income for the period	**280**	**-21**
Comprehensive income for the period	**11,577**	**14,268**
thereof attributable to stockholders of the parent	12,940	14,314
thereof attributable to minority interests	-1,363	-46

CONSOLIDATED CASH FLOW STATEMENT (IN ACCORDANCE WITH IAS 7)

(in € 000)	Notes	Jan. 1, 2014 - Dec. 31, 2014 €'000	Jan. 1, 2013 - Dec. 31, 2013 €'000
Cash flow from ordinary activities			
Profit for the year before tax and minority interest		26.366	21,145
Adjustments			
+/- Depreciation on property, pland and equipment and amortisation of intangible assets		22,864	10,730
+/- Changes in long-term provisions		-1,197	-94
+/- Changes in short-term provisions		387	-140
+/- Gains/losses on the sale of intangible assets, property, plant and equipment and financial assets		-775	0
+ Interest expenditure		2,518	1,062
+/- Changes in inventories		-2,948	-5,062
+/- Changes in trade accounts receivable and other accounts receivable		-10,137	-20,282
+/- Changes in trade accounts payable and other accounts payable		7,816	21,462
- Interest payments		-304	-567
+/- Income tax payments and rebates		-8,710	-9,332
+/- Non-cash expenses and income		-150	0
+/- Cash inflow/outflow from discontinued operations		-704	0
Net cash from operating activities		**35,026**	**18,922**
Cash flow from investing activities			
+/- Acquisition of subsidiaries and equity instruments of other companies		-31,439	-1,157
+/- Cash from acquisitions		19,180	2,892
+ Income from sale of former consolidated subsidiaries		378	0
- Purchase of financial assets		0	-28,940
- Payments for additions to intangible assets and property, plant and equipment		-24,953	-8,138
+ Income from disposal of intangible assets, property, plant and equipment and financial assets		391	159
- Cash transferred on the sale of financial assets		-79	0
+ Interest received		450	312
Net cash used in investing activities		**-36,072**	**-34,872**
Cash flow from financing activities			
+/- Proceeds from the issuance of share capital		0	56,072
+/- Capital increase expenses		-5	-1,493
+ Income from issuance of bonds		44,102	0
- Repayment of long-term financial liabilities (incl. short-term portions)		-874	-1,440
+/- Changes in short-term liabilities		68	0
- Interest paid		-579	-330
- Dividends paid		-5,847	-4,040
+/- Cash inflow / outflow finance lease		387	298
Net cash used in financing activities		**37,252**	**49,067**
Net change in cash and cash equivalents		**36,206**	**33,117**
+/- Changes in value resulting from foreign currency exchange		417	-22
+/- Cash as at beginning of period		77,733	44,638
Cash and cash equivalents as at end of period	F	**114,356**	**77,733**
Breakdown:			
Cash		114,295	77,733
Cash from discontinued operations		61	0
		114,356	77,733

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	Reserve change of actuarial gains/ losses from pensions	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**	**in €'000**
Dezember 31, 2012	**11,430**	**11,430**	**26,086**	**25,206**	**-11**	**1**	**0**	**-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			14,335	14,313	-46	14,267
Dezember 31, 2013	**14,616**	**14,616**	**94,578**	**28,597**	**-32**	**0**	**0**	**-153**	**24,978**	**162,584**	**95**	**162,679**
Capital increase	264	264	9,681							9,945		9,945
Changes in reserves: Costs of capital increase			-4							-4		-4
Convertible bonds			5,942							5,942		5,942
Transfer net profit / retained earnings				6,023					-6,023	0		0
Payout in financial year									-5,847	-5,847	0	-5,847
Comprehensive income for the period					548	3	-268		12,660	12,943	-1,363	11,580
Acquisition of minority interests				0						0	10,586	10,586
Effect from disposal of minority interests										0	-1,090	-1,090
Dezember 31, 2014	**14,880**	**14,880**	**110,197**	**34,620**	**516**	**3**	**-268**	**-153**	**25,768**	**185,563**	**8,228**	**193,791**

Segment informationen – IFRS

Segment informationen	Cloud Solutions		IT Solutions	
	Dec. 31, 2014 €‘000	Dec. 31, 2013 €‘000	Dec. 31, 2014 €‘000	Dec. 31, 2013 €‘000
Sales revenues				
- External sales	107,173	43,410	721,402	570,374
- Intersegment sales	972	4	2,385	456
- Total sales revenues	108,145	43,414	723,787	570,830
- Cost of purchased materials and services	-55,026	-25,130	-521,614	-404,059
- Personnel expenses	-22,971	-5,724	-133,402	-112,962
- Other operative income and expenses	-6,035	-1,667	-28,074	-24,327
EBITDA	24,113	10,893	40,697	29,482
- calculated depreciation and amortization	-5,895	-897	-16,592	-9,655
Operating income (EBIT)	18,218	9,996	24,105	19,827
- Interest income	71	41	283	306
- Interest expenditure	-14	-63	-1,635	-1,347
- Profit/loss from associated companies accounted for using the equity method	119	25	0	160
Result from ordinary activities	18,394	9,999	22,753	18,946
- Foreign currency exchange gains / losses				
Pre-tax profit	18,394	9,999	22,753	18,946
- Income taxes				
- discontinued operations	94	0	-7,353	0
Consolidated income for the year				
thereof attributable to the stockholders of the parent				
thereof attributable to minority interests				
Other information				
- Investments in Associates	0	0	0	0
- Assets [1]	60,078	19,671	287,234	223,530
- Investments [1]	48,374	214	69,228	26,850

1) Assets and investments including goodwill from capital consolidation

2) Tax assets

Totals		Other companies		Reconciliation		Consolidated	
Dec. 31, 2014 €'000	**Dec. 31, 2013 €'000**	**Dec. 31, 2014 €'000**	**Dec. 31, 2013 €'000**	**Dec. 31, 2014 €'000**	**Dec. 31, 2013 €'000**	**Dec. 31, 2014 €'000**	**Dec. 31, 2013 €'000**
828,575	613,784	286	8				
3,357	460	0	0	-3,357	-460		
831,932	614,244	286	8	-3,357	-460	828,861	613,792
-576,640	-429,189	-7	0	2,675	460	-573,972	-428,729
-156,373	-118,686	-10,048	-4,818	0	0	-166,421	-123,504
-34,109	-25,994	-3,403	-2,467	682	0	-36,830	-28,462
64,810	40,375	-13,172	-7,277	0	0	51,638	33,098
-22,487	-10,552	-377	-178	0	0	-22,864	-10,730
42,323	29,823	-13,549	-7,455	0	0	28,774	22,368
354	347	1,142	714	-1,046	-749	450	312
-1,649	-1,410	-2,365	-713	1,046	749	-2,968	-1,374
119	185	0	-332	0	0	119	-146
41,147	28,945	-14,772	-7,786	0	0	26,375	21,160
0	0		0	-9	-15	-9	-15
41,147	28,945	-14,772	-7,786	-9	-15	26,366	21,145
				-9,069	-6,856	-9,069	-6,856
-7,259	0	1,259	0	0	0	-6,000	0
						11,297	**14,289**
						12,660	14,335
						-1,363	-46
				Reconciliation[2]			
0	0	393	28,940			393	28,940
347,312	243,201	83,152	45,664	8,425	1,813	438,889	290,678
117,602	27,064	18,101	29,217			135,703	56,281

Schedule of fixed assets

	ACQUISITION OR MANUFACTURING COSTS					
	At Jan. 1, 2014 €'000	Additions from first-time consolidation 2014 €'000	Additions 2014 €'000	Disposals 2014 €'000	Transfers 2014 €'000	At Dec. 31, 2014 €'000
Property, plant and equipment	34,306	23,264	21,587	9,776	-833	68,548
Intangible assets						
Software and others	10,614	23,526	5,894	6,139	-20,334	13,561
Customer bases	22,209	22,123	45	-988	0	45,365
Goodwill	50,933	36,366	0	0	-805	86,494
Investments	72	1,959	5	0	0	2,036
Financial assets accounted for using the equity method	28,940	774	119	0	-28,940	893
Notes receivable/loans	60	37	4	2	0	99
Total	**147,134**	**108,049**	**27,654**	**14,929**	**-50,912**	**216,996**

Financial year 2013

	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	7,312	0	0	0	50,933
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**	**19,052**	**37,229**	**7,069**	**0**	**147,134**

DEPRECIATION AND AMORTIZATION						EARNING AMOUNTS	
At Jan. 1, 2014	Additions from first-time consolidation 2014	Additions 2014	Transfers 2014	Disposals 2014	At Dec. 31, 2014	At Dec. 31, 2014	At Dec. 31, 2013
€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
13.813	17,728	9,388	-833	9,201	30,895	37,653	20,493
5,088	18,279	9,233	-20,334	4,411	7,855	5,706	5,526
5,124	0	11,600	0	-52	16,776	28,589	17,085
19,571	0	0	0	0	19,571	66,923	31,362
10	1,959	0	0	0	1,969	67	62
0	500	0	0	0	500	393	28,940
0	0	0	0	0	0	99	60
43,606	**38,466**	**30,221**	**-21,167**	**13,560**	**77,566**	**139,430**	**103,528**

DEPRECIATION AND AMORTIZATION					EARNING AMOUNTS	
At Jan. 1, 2013	Additions from first-time consolidation 2013	Additions 2013	Disposals 2013	At Dec. 31, 2013	At Dec. 31, 2013	At Dec. 31, 2012
€'000	€'000	€'000	€'000	€'000	€'000	€'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	31,362	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**	**103,528**	**58,904**

Notes to the consolidated financial statements for the fiscal year January 1 to December 31, 2014

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 2014 were drawn up according to the International Financial Reporting Standards (IFRS) or the International Accounting Standards (IAS).

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, 2014. 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 Frankfurter Wertpapierbörse (FWB, the Frankfurt Stock Exchange) and are admitted to the Prime Standard under ISIN DE0005419105.

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

All IFRS and IAS standards that are mandatory for the 2014 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. 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 – implemented

The following accounting standards relevant to the CANCOM group were adopted for the first time in the fiscal year 2014:

In May 2011, the IASB published IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interests in Other Entities, IAS 27 Separate Financial Statements (amended in 2011) and IAS 28 Investments in Associates and Joint Ventures (amended in 2011), which state its revised accounting and disclosure requirements for reporting investments in other entities, off-balance sheet activities and joint arrangements.

IFRS 10 sets out which entities should be included in the consolidated financial statements on the basis of the principles currently applicable using a comprehensive notion of control. The standard also offers a new definition of the term 'control' for cases of uncertainty.

IFRS 11 governs accounting for joint arrangements, focusing on the type of laws and obligations arising from the arrangement instead of their legal form.

IFRS 12 is a new and comprehensive standard governing the disclosure requirements for all types of investments in other entities, including joint arrangements, associates, structured entities and off-balance sheet entities.

The first-time adoption of IFRS 10 and IFRS 11 has no major impact on the consolidated financial statements of CANCOM SE. The application of IFRS 12 required additional disclosures on subsidiaries and associates by the company.

In December 2011, the IASB published amendments to IAS 32 Financial Instruments: Presentation. The amendments clarify the requirements for offsetting financial assets and liabilities without amending the existing requirements. The application guidelines for IAS 32 clarify the terms 'currently' and 'simultaneous'. The right of set-off according to IAS 32 can thus only be considered if this can be enforced unconditionally on the reporting date. The clarification of the word 'simultaneous' concerns the question of when the realization of financial assets and the settlement of financial obligations can be described as 'simultaneous'. The amendments have no major impact on the financial reporting of the CANCOM group.

In June 2013, the IASB published amendments to IAS 39 Financial Instruments: Recognition and Measurement. The amendments provide for continuing hedge accounting after novation. If derivatives designated as hedging instruments are directly or indirectly novated to a central counterparty, this does not constitute an expiry and does not mean the hedging relationship is terminated. The amendment covers novation arising as a consequence of prevailing laws or regulations, or the introduction of laws or regulations, and where the only changes to the contract terms of the derivative are those directly necessary for the novation. The amendments have no impact on the financial reporting of the CANCOM group. There was no novation of derivatives in the CANCOM group based on laws or regulations in the fiscal year under review.

Accounting standards published – not yet implemented

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 2014, 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. It was adopted under EU law from June 13, 2014.

IFRS and IAS standards

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. The amended standard was adopted under EU law from December 17, 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 IFRS standards 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. The amended standards were adopted under EU law from December 17, 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 IFRS standards 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. The amended standards were adopted under EU law from December 18, 2014.

In January 2014, the IASB published IFRS 14 Regulatory Deferral Accounts. The standard only affects entities that are adopting IFRS for the first time and have recorded regulatory deferral accounts under their previous accounting standards. It is intended as a short-term, interim solution until the IASB concludes its long-term comprehensive project on rate-regulated business activities. The standard is effective for annual periods from January 1, 2016. It is not yet known when the standard will be adopted under EU law.

In May 2014, the IASB published amendments to IFRS 11 Joint Arrangements to clarify the accounting requirements for acquisitions of interests in joint operations. The amendments are effective in principle for annual periods from January 1, 2016. It is not yet known when the amendments will be adopted under EU law.

In May 2014, the IASB published IFRS 15 Revenue from Contracts with Customers. The standard specifies when, and how much, revenue is to be recognized. It replaces IAS 18 Revenues, IAS 11 Construction Contracts and a range of revenue-related interpretations. The standard is effective for annual periods from January 1, 2017. It is not yet known when the standard will be adopted under EU law.

In May 2014, the IASB published amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets to clarify the acceptable methods of depreciation and amortization. The amendments are effective in principle for annual periods from January 1, 2016. It is not yet known when they will be adopted under EU law.

In June 2014 the IASB published amendments to IAS 16 Property, Plant and Equipment and IAS 41 Agriculture to bring bearer plants into the scope of IAS 16. The amendments are effective in principle from January 1, 2016. It is not yet known when they will be adopted under EU law.

In July 2014 the IASB published the final version of IFRS 9 Financial Instruments, with new rules for the recognition of impairment losses as well as limited changes to the classification requirements for financial assets. The amendments are effective in principle from January 1, 2018. It is not yet known when the standard will be adopted under EU law.

In August 2014, the IASB published amendments to IAS 27 Separate Financial Statements, which reinstates the option to use the equity method to account for investments in subsidiaries, joint ventures and associates in the separate financial statements of an investor. The amendments are effective in principle from January 1, 2016. It is not yet known when they will be adopted under EU law.

In September 2014, the IASB published amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates, relating to sales or contributions of assets between an investor and its associate or joint venture. The amendments are effective in principle from January 1, 2016. It is not yet known when they will be adopted under EU law.

In September 2014, the IASB published amendments to various IFRS standards under its annual improvements project for the 2012-2014 cycle. The amendments are effective in principle from January 1, 2016. It is not yet known when they will be adopted under EU law.

In December 2014, the IASB published amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities, and IAS 28 Investments in Associates relating to the application of the investment entities exception. The amendments are effective in principle from January 1, 2016. It is not yet known when they will be adopted under EU law.

In December 2014 the IASB published amendments to IAS 1 Presentation of Financial Statements as a result of the Disclosure Initiative. The amendments are effective in principle from January 1, 2016. It is not yet known when they will be adopted under EU law.

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 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. The purchase price was € 4.80 per stock; with 4,666,492 stocks this meant a total of € 22,399 thousand (paid in cash).

The market value of the 42.9 percent interest in Pironet NDH Aktiengesellschaft immediately before the acquisition was € 29,086 thousand, so that no earnings from revalution was recorded as profit in 2014.

The company was included in the consolidated financial statements with effect from January 1, 2014. The time difference between this date and January 7, 2014 was considered to be immaterial.

The company performs the role of a managerial holding company, i.e. acquiring, holding, managing and selling long-term 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	Stake-holding (in percent)	Voting rights (in percent)
Pironet NDH Aktiengesellschaft	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.

	Fair value €'000	Carrying amount €'000
Cash and cash equivalents	17,538	17,538
Trade accounts receivable	8,114	8,114
Other current financial assets	343	343
Inventories	299	299
Prepaid expenses and other current assets	473	473
Current assets	**26,767**	**26,767**
Property, plant and equipment (tangible assets)	4,169	4,169
Intangible assets	16,381	4,976
Investments accounted for using the equity method	274	274
Trade accounts receivable	407	407
Other financial assets	140	140
Deferred tax resulting from temporary differences	817	817
Deferred tax resulting from tax loss carryforwards	4,753	4,753
Other assets	204	204
Non-current assets	**27,145**	**15,740**
Total assets	**53,912**	**42,507**
Trade accounts payable	2,678	2,678
Prepayments received	399	399
Other current financial liabilities	260	260
Provisions	240	240
Deferred income	310	310
Income tax liabilities	635	635
Other current liabilities	2,321	2,321
Current liabilities	**6,843**	**6,843**
Deferred taxes	5,161	1,460
Pension provisions	59	59
Non-current liabilities	**5,220**	**1,519**
Total liabilities	**12,063**	**8,362**
Net assets acquired	**41,849**	**34,145**

The acquisition of the company resulted in goodwill of € 19,848 thousand at the acquisition date, 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. Further stocks were purchased during the reporting year at a purchase price of € 24,668 thousand, bringing CANCOM's stockholding to 78.1 percent. This gave rise to an increase in goodwill of € 931 thousand. In December 2014, the cash generating unit Imperia AG was classified as held for sale. Goodwill of € 805 thousand was allocated to this disposal group. The remaining goodwill as at December 31, 2014 was therefore € 19,974 thousand.

The non-controlling interests in Pironet NDH Aktiengesellschaft were recognized at the pro-rata fair value of the assets and liabilities, which amounts to € 10,586 thousand.

The sales revenues of Pironet NDH Aktiengesellschaft (sub-group) included in the consolidated sales revenues since the date on which it was first included in the consolidated financial statements is € 46,417 thousand, and the loss taken into account in the consolidated profit/(loss) is € 4,249 thousand.

CANCOM SE has bought all the stocks (10,000) of HPM Incorporated, based in Pleasanton, California, U.S.A., 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 € 6,437 thousand ($ 8,878 thousand) and a variable purchase price component (an earn-out component) of € 9,861 thousand ($ 13,601 thousand). The variable component of the purchase price consists of 50 percent of the planned EBITDA for the fiscal years 2014, 2015, 2016 and 2017. It is not capped. As no alternative scenarios are presented in the earnings forecast for HPM Incorporated, the earn-out component ranges are not shown. Incidental acquisition costs of € 290 thousand were incurred. These are shown in the statement of income under other operating expenses.

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

Change in the reporting entity in 2014:

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

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

	Fair value €'000	Carrying amount €'000
Cash and cash equivalents	381	381
Trade accounts receivable	3,146	3,146
Other current financial assets	2	2
Inventories	246	246
Prepaid expenses and other current assets	32	32
Current assets	**3,807**	**3,807**
Property, plant and equipment (tangible assets)	221	221
Intangible assets	8,719	0
Other assets	23	23
Non-current assets	**8,963**	**244**
Total assets	**12,770**	**4,051**
Short-term loans and current component of long-term loans	462	462
Trade accounts payable	2,689	2,689
Other current financial liabilities	12	12
Deferred income	2	2
Income tax liabilities	329	329
Other current liabilities	273	273
Current liabilities	**3,767**	**3,767**
Deferred taxes	3,527	54
Non-current liabilities	**3,527**	**54**
Total liabilities	**7,294**	**3,821**
Net assets acquired	**5,476**	**230**

The acquisition of the company resulted in goodwill of € 10,822 thousand, which is not tax-deductible. The main reasons for the acquisition itself, and for recognizing goodwill, was to position CANCOM's business cloud portfolio and expand the IT solutions portfolio offered to clients of HPM Incorporated and potential new clients on the U.S. market, and to expand the group's regional presence. The translation of the financial statements of the foreign operation into the reporting currency in line with IAS 21 resulted in a change in the value of the goodwill by € 1,460 thousand. The goodwill as at December 31, 2014 is therefore € 12,282 thousand.

The sales revenues of HPM Incorporation included in the consolidated sales revenues since the date of acquisition amount to € 36,577 thousand, and the profit included in the consolidated profit/(loss) is € 2 thousand.

CANCOM SE has acquired all the stocks of DIDAS Business Services GmbH (trading as CANCOM DIDAS GmbH since August 1, 2014), based in Langenfeld, Germany, for the nominal sum of € 1,000 thousand. The acquisition is documented in a purchase and contribution agreement dated April 10, 2014. The purchase price was € 10,000 thousand and was paid by issuing new no-par value stocks to the seller as a contribution in kind from the authorized capital of CANCOM SE. The stocks are admitted to the FWB Frankfurt Stock Exchange and are eligible for trading; 263,783 stocks were issued at € 37.70 per stock, plus € 56 thousand in compensation payments. Incidental acquisition costs of € 80 thousand were incurred; these are shown in the statement of income under other operating expenses.

CANCOM DIDAS GmbH is an integrated IT systems provider with eight locations in Germany. The company employed 238 people on average in 2013 and generated EBITDA of € 2.0 million and sales revenues of around € 56 million in 2013.

The company was included in the consolidated financial statements with effect from July 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	Stockholding (in percent)	Voting rights (in percent)
CANCOM DIDAS GmbH, Langenfeld, Germany	July 1, 2014	100	100

The table below shows the anticipated impact on the consolidated financial statements of the change in the reporting entity as at July 1, 2014, the date from which CANCOM DIDAS GmbH was included in the consolidated financial statements.

	Fair value €'000	Carrying amount €'000
Cash and cash equivalents	1,262	1,262
Trade accounts receivable	8,874	8,874
Other current financial assets	19	19
Inventories	3,684	3,684
Contracts in progress	331	331
Prepaid expenses and other current assets	701	701
Current assets	**14,871**	**14,871**
Property, plant and equipment (tangible assets)	1,146	1,146
Intangible assets	2,271	272
Loans	37	37
Deferred taxes from temporary differences	470	470
Other assets	267	267
Non-current assets	**4,191**	**2,192**
Total assets	**19,062**	**17,063**
Trade accounts payable	2,643	2,643
Prepayments received	2,072	2,072
Other current financial liabilities	35	35
Provisions	122	122
Deferred income	1,437	1,437
Income tax liabilities	766	766
Other current liabilities	2,033	2,033
Current liabilities	**9,108**	**9,108**
Deferred income	421	421
Deferred taxes	735	150
Pension provisions	1,241	1,241
Other non-current financial liabilities	825	825
Other non-current liabilities	36	36
Non-current liabilities	**3,258**	**2,673**
Total liabilities	**12,366**	**11,781**
Net assets acquired	**6,696**	**5,282**

The acquisition resulted in goodwill of € 3,305 thousand, which 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 expand the group's IT solutions portfolio, in addition to extending the cloud portfolio offered by CANCOM DIDAS GmbH and the group's regional presence.

The sales revenues of CANCOM DIDAS GmbH included in the consolidated sales revenues since the acquisition date amount to € 34,786 thousand, and the profit included in the consolidated profit/(loss) is € 849 thousand.

CANCOM SE has established a company named Cancom online BVBA, based in Elsene, Belgium. This is documented in a contract dated July 9, 2014. The company has a capital stock of € 18,600 and is wholly owned by CANCOM SE. The object of the company is to engage in the planning, project development, distribution, assembly, customization, commissioning, repair and maintenance of IT systems, particularly for public sector clients. The newly established company was entered in the commercial register on July 11, 2014.

Change in the reporting entity in 2014:

Name and registered office of the company	Date from which included in the consolidated financial statements	Stakeholding (in percent)	Voting rights (in percent)
Cancom on line BVBA, Elsene, Belgium	July 9, 2014	100	100

CANCOM GES Gesellschaft für elektronische Systeme mbH has been merged into CANCOM GmbH. The merger is documented in a merger contract dated July 29, 2014 and was entered in the commercial register of CANCOM GmbH on September 2, 2014.

On September 12, 2014, CANCOM SE bought all the stocks in the newly established CANCOM LTD, based in London, U.K., for the nominal sum of £ 1. The new company was entered in the commercial register on September 12, 2014.

Change in the reporting entity in 2014:

Name and registered office of the company	Date from which included in the consolidated financial statements	Stakeholding (in percent)	Voting rights (in percent)
CANCOM LTD, London, UK	September 12, 2014	100	100

If the acquisition date for all business combinations were January 1, 2014, the sales revenues of the combined entity would be € 858,183 thousand and the net income/(net loss) for the year € 13,314 thousand.

Disposals in the fiscal year 2014

CANCOM SE has sold its stocks in Glanzkinder GmbH. The transaction is documented in a stock purchase and transfer agreement dated October 28, 2014. The stocks were transferred on October 31, 2014.

The purchase price was € 1.

The table below shows the impact on the reporting entity of the sale of Glanzkinder GmbH:

	Balance as at October 31,2014 €'000
Cash and cash equivalents	-79
Trade accounts receivable	-415
Other current financial assets	-4
Orders in process	-87
Prepaid expenses and other current assets	-1
Total current assets	**-586**
Property, plant and equipment (tangible assets)	-63
Intangible assets	-402
Other financial assets	-44
Total non-current assets	**-509**
Total assets	**-1,095**
Trade accounts payable	-32
Other current financial liabilities	-3
Deferred income	-62
Income tax liabilities	-12
Other current liabilities	-138
Total current liabilities	**-247**
Deferred taxes from temporary differences	-142
Other non-current financial liabilities	-1,638
Total non-current liabilities	**-1,780**
Total liabilities	**-2,027**
Net assets acquired	**932**

4. Adjustment of comparative information contained in the consolidated financial statements for the year ended December 31, 2013

Adjustment of goodwill arising from the acquisition of CANCOM on line GmbH – contingent consideration

During the fiscal year 2013, CANCOM SE acquired on line Datensysteme GmbH (now trading as CANCOM on line GmbH). The purchase price allocation is displayed in line with IFRS 3. The purchase price included a contingent consideration amounting to the fair value of € 1,921 thousand. This contingent consideration is based on an agreement to pay the former stockholding managing director – who stayed with CANCOM on line GmbH as the employed managing director after the acquisition of the company – a variable, uncapped remuneration related to the EBT of CANCOM on line GmbH. In the previous year, the contingent consideration was recognized as the acquisition cost of the long-term equity investment, which amounted to € 1,921 thousand, allowing for deferred taxes of € 580 thousand.

The provision accordingly recognized was reduced by € 278 thousand in the previous year following the pro rata payment of the contingent consideration.

If a variable remuneration agreed as part of a company acquisition is attached to the continuing employment of the former stockholding managing director, the resulting payments must be recognized as employee compensation for the period, according to IFRS 3.B55. This amendment must be adjusted retrospectively in line with IAS 8.42ff. The reduction of the acquisition cost of the long-term equity investment to CANCOM SE results in reduced goodwill on the first inclusion of CANCOM on line GmbH in the consolidated financial statements. The provision was also adjusted accordingly.

BALANCE SHEET AT

€'000	Dec. 31, 2013 Prior to adjustment	Adjustment	Dec. 31, 2013 After adjustment
Assets			
Goodwill	32,703	-1,341	31,362
Deferred taxes from temporary differences	1.571	-497	1,074
Liabilities			
Provisions	2,491	-497	1,994
Other non-current liabilities	2,866	-1,147	1,719
Net retained profit (incl. retained earnings)	53,616	-194	53,422

CONSOLIDATED STATEMENT OF INCOME

€'000	Jan. 1, 2013 to Dec. 31, 2013 Prior to adjustment	Adjustment	Jan. 1, 2013 to Dec. 31, 2013 After adjustment
Human resources expenses	-123,224	-280	-123,504
Operating result	22,648	-280	22,368
Interest and other expenses	-1,376	2	-1,374
Earnings before taxes	21,423	-278	21,145
Income tax	-6,940	84	-6,856
Net income/loss for the period	14,483	-194	14,289
Earnings per share from continuing operations (basic) in EUR	1.23	-0.01	1.22
Earnings per stock from continuing operations (diluted) in EUR	1.23	-0.01	1.22

CONSOLIDATED COMPREHENSIVE INCOME

€'000	Jan. 1, 2013 to Dec. 31, 2013 Prior to adjustment	Adjustment	Jan. 1, 2013 to Dec. 31,2013 After adjustment
Comprehensive income for the period	14,462	-194	14,268

5. 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 (tangible assets), 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 2014 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 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	2014	2013	2012
US dollar			
Rate on reporting date	EUR 1 = USD 1.215	EUR 1 = USD 1.377	
Average rate	EUR 1 = USD 1.329	EUR 1 = USD 1.328	
Swiss francs			
Rate on reporting date	EUR 1 = CHF 1.202	EUR 1 = CHF 1.227	EUR 1 = CHF 1.207
Average rate	EUR 1 = CHF 1.215	EUR 1 = CHF 1.231	EUR 1 = CHF 1.205
British pounds			
Rate on reporting date	EUR 1 = GBP 0.779		
Average rate	EUR 1 = GBP 0.789		

The currency translation differences recorded in the results amount to € 10 thousand in expenses. The currency translation differences shown in the financial statements for the fiscal year as a separate item under equity amount to a loss of € 548 thousand (2013: loss of € 21 thousand). As at December 31, 2014, the reserve for currency translation amounts to € 516 thousand (2013: minus € 32 thousand).

Realization of income/sales 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 of the contract at the balance sheet date and the estimated total costs of the contract, 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 contract 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 by the leasing contract. 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 Erika-Mann-Strasse 69, in Munich, Germany, represents a major lease agreement. 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 vale of the minimum lease payments	Minimum lease payments	Present vale of the minimum lease payments	Financial income not yet realized	Financial income not yet realized
	< 1 year	< 1 year	> 1 < 5 years	> 1 < 5 years	> 5 years	> 5 years		
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Operating lease	153	0	42	0	0	0	6	195
Finance lease	2,572	2,149	4,841	4,586	0	0	678	7,413

Leases in which the company is lessee	Net carrying amount at Dec. 31, 2014	Minimum lease payments	Present vale of the minimum lease payments	Minimum lease payments	Present vale of the minimum lease payments	Minimum lease payments	Present vale of the minimum lease payments	Total subleases	Recognized lease payments in 2014*
		< 1 year	< 1 year	> 1 < 5 years	> 1 < 5 years	> 5 years	> 5 years		
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Operating lease (operating segment)	0	8,468	0	13,789	0	4,864	0	0	9,295
Finance lease	2,022	463	391	1,007	866	1,985	765	3,455	0

*minimum leae 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 € 7,413 thousand (2013: 3,821 thousand), less the total interest income not yet fully realized of € 678 thousand (2013: € 316 thousand). This results in an aggregate present value of € 6,735 thousand (2013: € 3,505 thousand).

In finance leases where the company is the lessee, the total minimum lease payments amount to € 3,455 thousand (2013: € 859 thousand), less the total interest income not yet fully realized of € 1,433 thousand (2013: € 71 thousand), resulting in an aggregate present value of € 2,022 thousand (2013: € 788 thousand).

There are generally no options to extend or purchase with the above lease agreements. Apart from the lease contract for Erika-Mann-Strasse 69 in Munich, 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 profit/(loss) 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 or reduced marketability.

Any borrowed capital costs associated with manufacturing are capitalized.

Contracts 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 (tangible assets)

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 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/(loss) 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 long-term equity 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, investments and other loans. Financial assets are recognized and derecognized at the date of the transaction. They 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.

Investments 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 fulfilment 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 fulfil 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 2014, so only the other comprehensive income (OCI) method is to be used.

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, convertible bonds, 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 market interest rates of comparable financial instruments.

The convertible bond is a financial instrument with both a debt and an equity component. The instrument has several embedded derivatives whose values are interdependent.

	Category in line with IAS 39 and IFRS 7	Carrying amount Dec. 31, 2014	Fair value Dec. 31, 2014	Carrying amount Dec. 31, 2013	Fair value Dec. 31, 2013
Assets					
Cash and cash equivalents	LaR	114,295	114,295	77,733	77,733
Securities held as fixed assets	AfS	67	67	62	62
Trade accounts receivable	LaR	134,846	134,846	112,949	112,949
Other financial assets	LaR	12,184	12,184	6,010	6,010
Other assets	LaR	1,909	1,909	1,141	1,141
Liabilities					
Short-term loans and current component of long-term loans	FLAC	1,711	1,711	770	770
Capital from profit participation rights and subordinated loans (short-term portion)	FLAC	1,985	1,985	0	0
Trade accounts payable	FLAC	108,440	108,440	98,987	98,987
Long-term loans	FLAC	3,632	4,146	4,813	4,813
Convertible bonds	FLAC	39,144	40,117	0	0
Capital from profit participation rights and subordinated loans	FLAC	4,332	7,238	5,926	5,926
Other financial liabilities	FLAC	6,472	6,472	3,691	3,691
Other liabilities	FLAC	38,883	38,883	22,343	22,343
of which aggregated according to categories in line with IAS 39:					
Loans and Receivables (LaR)		263,234	263,234	197,833	197,833
Held-to-Maturity Investments (HtM)		0	0	0	0
Available-for-Sale Financial Assets (AfS)		67	67	62	62
Financial Assets Held for Trading (FAHfT)		0	0	0	0
Financial Liabilities Measured at Amortised Cost (FLAC)		204,599	208,992	136,530	136,530
Financial Liabilities Held for Trading (FLHfT)		0	0	0	0

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 (for those with terms of less than one year) 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, 2014.

Using the effective interest rate method to measure financial liabilities not recognized at their fair value gives rise to an interest expense of € 596 thousand, which is recognized in the statement of income. This relates to the FLAC category.

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.

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:

	2015 €'000	2016 €'000	2017-2019 €'000	2020 and thereafter €'000
Trade accounts payable	108,440	0	0	0
Liabilities to banks	1,711	767	2,330	535
Convertible bonds	0	0	39,144	0
Capital from profit participation rights and subordinated loans	1,985	0	2,993	1,339
Other financial liabilities	3,237	464	509	239
Financial leases	392	866	765	
Other financial obligations	8,468	5,979	7,810	4,864
Interest expense	959	792	8,019	60

The group has access to credit facilities. As at December 31, 2014, the group had credit and guarantee facilities of € 38,800 thousand (2013: € 18,305 thousand). The full amount not yet utilized as at the balance sheet date is € 32,423 thousand (2013: € 13,763 thousand). There were no delays in the payment of interest or capital on loans during the fiscal year 2014.

Currency risk

As CANCOM concentrates its activities in the euro area, the group's exposure to currency risk is low. The units whose accounts are kept in other currencies account for less than 3 percent in total of the group's equity.

CANCOM does not engage in currency speculation and has an ongoing currency management policy. This involves hedging against any foreign exchange risks that may arise from orders. 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 € 20 thousand, there is an approval system where hedging decisions are taken on an individual basis.

At December 31, 2014, the carrying amount of the group's monetary assets and liabilities in foreign currencies is as follows:

	Dec. 31, 2014 €'000	Dec. 31, 2013 €'000
Assets in USD	44,646	566
Liabilities in USD	37,285	45
	7,361	**521**
Assets in CHF	0	0
Liabilities in CHF	2	0
	-2	**0**
Assets in GBP	3	0
Liabilities in GBP	9	0
	-6	**0**

Interest risk

Durch die überwiegend langfristige Finanzierung ist CANCOM von 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 € 10 thousand.

Financial market risk
CANCOM SE's risk manual was reviewed in 2014 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. Assets held for sale

Pironet NDH Aktiengesellschaft intends to sell Imperia AG in the near future, as agreed in a meeting of its Executive Board on December 30, 2014.

The assets and liabilities of Imperia AG were presented as held for sale in the consolidated balance sheet for the year ended December 31, 2014. The disposal group consists of the following:

	Dec. 31, 2014 €'000
Cash and cash equivalents	61
Trade accounts receivable	1,325
Prepaid expenses and other current assets	97
Other non-current assets	808
Assets held for sale	**2,291**
Trade accounts payable	521
Prepayments received	427
Other current financial liabilities	357
Provisions	37
Deferred income	185
Other current liabilities	495
Liabilities directly associated with assets held for sale	**2,022**

3. Trade accounts receivable

The trade accounts receivable are as follows:

	Dec. 31, 2014 €'000	Dec. 31, 2013 €'000
Accounts receivables before write-downs	134,952	113,192
Write-downs	106	243
Carrying amount of accounts receivable	**134,846**	**112,949**

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 structure, 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 € 28 thousand.

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 are written down by 50 percent, if no other reasons or circumstances are known to suggest they will not be paid. 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 2014, the impairments included individually adjusted trade accounts receivable amounting to € 8 thousand (2013: € 0) 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 € 33,723 thousand (2013: € 30,752 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. Of the overdue accounts receivable, € 30,688 thousand is less than three months overdue; € 2,120 thousand more than three but less than six months overdue; € 771 thousand more than six but less than 12 months overdue; and € 144 thousand more than 12 months overdue. 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.

4. Other current financial assets

This item includes bonuses due from suppliers (€ 3,972 thousand; 2013: € 1,429 thousand), claims to the payment of a purchase price (€ 2,150 thousand; 2013: € 1,140 thousand), marketing revenue (€ 758 thousand; 2013: € 374 thousand), creditors with a debit balance (€ 423 thousand; 2013: € 383 thousand), receivables from staff (€ 147 thousand; 2013: € 175 thousand), receivables from disposal of affiliated entities (€ 62 thousand, 2013: € 0) and receivables from former stockholders (€ 10 thousand; 2013: € 7 thousand).

5. Inventories

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

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

	Dec. 31, 2014 €'000	Dec. 31, 2013 €'000
Finished products and goods	22,286	15,172
Prepayments made	372	309
	22,658	**15,481**

The cost of goods, raw materials and supplies in the fiscal year 2014 was € 522,238 thousand (2013: € 396,140 thousand).

Inventories were written down by € 208 thousand (2013: € 219 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.

6. Contracts in progress (orders in process)

The contracts in progress are orders calculated according to the percentage of completion method. They amount to € 560 thousand (2013: € 976 thousand) less advance payments of € 0 (2013: € 185 thousand). The costs accumulated for current projects as at the balance sheet date amounted to € 518 thousand (2013: € 591 thousand). Gains resulting from current projects as at the reporting date totaled € 42 thousand (2013: € 385 thousand).

7. Prepaid expenses and other current assets

This item mainly consists of other current assets such as tax refunds (€ 1,095 thousand; 2013: € 569 thousand), commission income (€ 444 thousand; 2013: € 285 thousand), insurance refunds (€ 145 thousand; 2013: € 158 thousand) and receivables from social insurance institutions (€ 19 thousand; 2013: € 13 thousand).

The prepaid expenses (€ 1,802 thousand; 2013: € 591 thousand) include deferred insurance premiums and expenses paid in advance.

8. Non-current assets

Changes in, and the composition of, non-current assets in 2014 are shown in the consolidated statement of changes in non-current assets (page 56+57).

8.1 Property, plant and equipment (tangible assets)

Property, plant and equipment mainly consists of land and buildings, (€ 11,430 thousand); and features, fittings and equipment, in particular motor vehicles (€ 11,569 thousand), data centers (€ 2,727 thousand), assets held for rental (€ 1,693 thousand), the unified communications and collaboration (UCC) system (€ 1,055 thousand) and equipment for the logistics center (€ 375 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.

8.2 Intangible assets

The intangible assets include client lists (€ 23,838 thousand; 2013: € 15,094 thousand), purchased software (€ 4,319 thousand; 2013: € 4,854 thousand), orders in hand (€ 1,709 thousand; 2013: € 1,411 thousand), restraint on competition (€ 1,610 thousand; 2013: € 580 thousand), brand name (€ 1,432 thousand; 2013: € 0), prepayments made (€ 755 thousand; 2013: € 0) and capitalized development costs (€ 632 thousand; 2013: € 672 thousand).

Client lists, orders in hand, restraint on competition and brand name are mainly based on acquisitions made in prior years and in 2014. They are written down over their expected useful lives.

8.3 Geschäfts- oder Firmenwert

In the current reporting period, the former cash generating unit CANCOM GES Gesellschaft für elektronische Systeme mbH was merged into CANCOM GmbH. Goodwill totaling € 66,923 thousand at the reporting date is attributable mainly to CANCOM GmbH (€ 20,015 thousand; 2013: € 19,751 thousand attributable to CANCOM GmbH; € 264 thousand to CANCOM GES Gesellschaft für elektronische Systeme mbH); the Pironet NDH Aktiengesellschaft sub-group (€ 19,974 thousand; 2013: € 0); HPM Incorporated (€ 12,282 thousand; 2013: € 0); CANCOM on line GmbH (€ 7,049 thousand; 2013: € 7,049 thousand); CANCOM DIDAS GmbH (€ 3,257 thousand; 2013: € 0); CANCOM NSG GmbH (€ 2,522 thousand; 2013: € 2,522 thousand); and CANCOM a + d IT solutions GmbH (€ 1,717 thousand; 2013: € 1,717 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 major companies in the CANCOM group for the fiscal year 2015, not taking into account non-recurring items, were calculated at between 5.2 percent (CANCOM on line GmbH) and 10.3 percent (CANCOM GmbH). For the years 2016 to 2019, it is assumed that sales revenues will grow steadily at rates between 1.1 percent and 4.7 percent. Parts of the CANCOM group are therefore expected to outperform the rest of the IT sector and the market, with hardware increasing by 1.0 percent, software by 5.5 percent and IT services by 3.0 percent (figures from BITKOM for the German IT market in 2015).

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:

	2014	2013
Risk-free interest	1.86%	2.72%
Market risk premium	6.00%	6.00%
Beta coefficient	1.02	0.92
Capitalization rate (weighted average cost of capital - WACC)	7.66%	7.85%
Input tax (WACC)	11.02%	11.33%

The impairment tests carried out in the fiscal year 2014 did not result in any write-downs. There was therefore no impairment charge at the end of the reporting period, as the Glanzkinder GmbH cash generating unit was sold in 2014 (at the start of the reporting period there was an impairment charge of € 286 thousand).

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.

For details of changes to the figures stated for the previous year, please see section A.4.

8.4 Equity-accounted investments

The CANCOM group holds a 19.88 percent interest in prudsys AG, Chemnitz, Germany, through its subsidiary Pironet NDH Aktiengesellschaft. As CANCOM's CEO is a member of the supervisory board of prudsys AG, the group has a significant influence on the associate. The company's net income for the fiscal year 2014 was € 599 thousand. The related profit from the equity-accounted investment is therefore € 199 thousand.

Financial information on prudsys AG:

	Dec. 31, 2014 €'000
Total assets	3,028
Liabilities	1,049
Sales revenues	3,781
Prfot/ loss	**599**

The carrying amount of the long-term equity investment, which is classified as a non-current asset, is € 393 thousand.

In 2013, the long-term equity investment in Pironet NDH Aktiengesellschaft 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 carrying amount of the long-term equity investment was € 28,940 thousand, and CANCOM's share in the loss on this equity investment is € 146 thousand.

8.5 Loans

The loans consist of a loan to a former subsidiary (€ 1,402 thousand; 2013: € 0) and the asset value from reinsurance, amounting to € 99 thousand (2013: € 60 thousand).

9. Other non-current financial assets

This item includes claims to the payment of a purchase price (€ 4,586 thousand; 2013: € 2,364 thousand) and receivables from staff (€ 76 thousand; 2013: € 96 thousand).

10. Deferred tax assets

The deferred tax assets are as follows:

Deferred tax from	temporary differences €'000	tax loss carryforwards €'000
As at January 1, 2014	1,074	196
Addition from recognition from assets directly in equity owing to first-time inclusion in consolidated financial statements	1,287	4,753
Deferred taxes on actuarial losses recognized directly in equity and shown under other income	118	0
Income tax expense/revenue from profit and loss calculation	380	-711
Income tax expense from profit and loss calculation included in discontinued operations	197	0
Currency exchange gains/losses	15	0
As at December 31, 2014	**3,071**	**4,238**

As at December 31, 2014 the CANCOM group had corporate tax loss carryovers of € 14.7 million (2013: € 1.1 million) and trade tax loss carryovers of € 15.7 million (2013: € 0.7 million). The unused corporate tax losses for which no deferred tax claim was recognized in the balance sheet amounted to € 2.4 million (2013: € 5.8 million), and the trade tax loss carryovers for which no deferred tax claim was recognized amounted to € 1.8 million (2013: € 5.3 million). 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 differences in property, plant and equipment (€ 976 thousand), intangible assets (€ 833 thousand), other liabilities (€ 554 thousand), pension provisions (€ 386 thousand), other provisions (€ 195 thousand) and intergroup payables (€ 118 thousand).

For details of changes to the figures stated for the previous year, please see section A.4.

11. Short-term loans and current portion 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.

12. Other current financial liabilities

This item includes debtors with a credit balance (€ 1,291 thousand; 2013: € 528 thousand), repayment of a purchase price in connection with the sale of a former subsidiary in 2011 (€ 1,049 thousand; 2013: € 0), outstanding bills of charges (€ 544 thousand; 2013: € 940 thousand), purchase price liabilities (€ 392 thousand; 2013: € 204 thousand), Supervisory Board remuneration (€ 265 thousand; 2013: € 199 thousand) rent obligations (€ 82 thousand; 2013: € 76 thousand) and liabilities to former stockholders (€ 6 thousand; 2013: € 0).

13. Other provisions

The changes in other provisions during 2014 are detailed below: (see table below)

The total provisions include long-term provisions of € 10,588 thousand (2013: € 1,719 thousand), which are disclosed under other non-current liabilities. These are mainly for the purchase price of the shares in HPM Incorporation and, in 2013, the shares in CANCOM Unicorner GmbH (€ 9,277 thousand; 2013: € 216 thousand); guarantees and warranties (€ 618 thousand; 2013: € 696 thousand); termination payments, for which a provision is legally mandatory in Austria (€ 251 thousand; 2013: € 518 thousand); anniversaries (€ 188 thousand; 2013: € 162 thousand); archiving costs (€ 111 thousand; 2013: € 0); decommissioning and restoration liability (€ 93 thousand; 2013: € 0) and additional leasing costs (€ 30 thousand; 2013: € 83 thousand).

	Jan. 1, 2014 €'000	First-time consolidation (addition) €'000	Used €'000	Reversal and transfer €'000	Addition €'000	Dec.31, 2014 €'000
Purchase price for shares in affiliated companies	524	9,861	283	0	1,495	11,597
Termination and serverance payments, salaries	975	0	262	279	1,004	1,438
Guarantees and warranties	1,691	56	733	556	915	1,373
Contingent risks	220	81	200	20	235	316
Financial statement costs	69	66	111	10	209	223
Archiving costs	47	119	7	26	2	135
Additional leasing costs	128	0	39	2	36	123
general meeting of stockholders	0	60	60	0	72	72
Others	59	15	19	5	14	64
	3,713	**10,258**	**1,714**	**898**	**3,982**	**15,341**

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 HPM Incorporation	1 to 3 years
Provisions for guarantees and warranties	Warranty by law or contract
Provisions for termination payments	Date of termination of the employment of relevant staff member
Provisions for anniversary payments	Together with salary payments
Archiving costs	1 to 6 years
Decommissioning and restoration liability	1 to 3 years
Additional leasing costs	1 to 3 years

For details of changes to the figures stated for the previous year, please see section A.4.

14. Income tax liabilities

Income tax liabilities mainly consist of obligations for 2013 and 2014.

15. Other current liabilities

Other current liabilities mainly include staff bonus payments (€ 10,627 thousand; 2013: € 6,022 thousand), sales tax (€ 9,391 thousand; 2013: € 9,347 thousand), holiday and overtime entitlements (€ 2,833 thousand; 2013: € 2,045 thousand), tax on salaries and church tax (€ 2,371 thousand; 2013: € 1,800 thousand), employers' liability insurance association (€ 827 thousand; 2013: € 536 thousand), copyright fee (€ 586 thousand; 2013: € 151 thousand), compensation levy for non-employment of the severely handicapped (€ 261 thousand; 2013: € 161 thousand), wages and salaries (€ 195 thousand; 2013: € 9 thousand) and social security contributions (€ 166 thousand; 2013: € 186 thousand).

16. 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 portion 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.

17. Convertible bonds

CANCOM SE issued a convertible bond for a total nominal amount of € 45,000 thousand in March 2014. The bonds mature in March 2019 and the holders are entitled to convert their bonds into a total of up to 1,055,510 new no-par value bearer stocks in CANCOM SE. The denomination per unit is € 100,000. The initial conversion price is € 42.6334 per stock. The conversion ratio is therefore 2,345.5788 shares per bond at the relevant nominal amount of € 100,000. The conversion right for the bonds can be exercised throughout its term to maturity. The bond has a coupon of 0.875 percent. Interest will be paid annually on March 27, starting on March 27, 2015.

On the balance sheet, the convertible bond is split into an equity component and a debt component. The market value of the debt component to be recognized is € 38,975 thousand, including the issuing costs. This value was calculated using the binomial model. The resulting value of the equity component is € 6,025 thousand. This is recognized under additional capital reserves, taking into account deferred taxes. An interest expense of € 1,144 thousand was recognized for the bond in the fiscal year 2014.

18. Capital from profit participation rights and subordinated loans

Capital from profit participation rights and subordinated loans includes mezzanine capital from Bayern Mezzaninekapital GmbH & Co. KG of € 1,984,690.99 (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 € 597,427.77 (loan proceeds € 1,000,000, minus repayment of € 128,800 in 2012) and € 680,704.78 (loan proceeds € 1,000,000); and four subordinated loans from Stadtsparkasse Augsburg of € 1,459,509.12 (loan proceeds € 1,995,600), € 284,394.20 (loan proceeds € 392,500), € 860,266.97 (loan proceeds € 1,621,000) and € 449,792.02 (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.

19. 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 € 2,683 thousand (see comments under E.2. Other operating income).

20. Deferred tax liabilities

The deferred tax liabilities are as follows:

	€'000
As at January 1, 2014	5,210
Addition from recognition of liabilities directly in equity owing to first-time inclusion in consolidated financial statements	9,423
Derecognition owing to separation of previously consolidated entities	-142
Tax revenue from profit and loss calculation	-3,141
Tax saving from profit and loss calculation included in discontinued operations	-1,423
Currency differences	625
As at December 31, 2014	**10,552**

The deferred tax liabilities arise from deviations from the tax balance sheets. They are the result of the recognition and revaluation of intangible assets (€ 8,632 thousand; 2013: € 4,391 thousand), other financial assets (€ 849 thousand; 2013: € 528 thousand), property, plant and equipment (€ 263 thousand; 2013: € 87 thousand), intergroup payables (€ 256 thousand; 2013: € 0), convertible bonds (€ 208 thousand; 2013: € 0), software development costs (€ 195 thousand; 2013: € 0), other provisions (€ 61 thousand; 2013: € 87 thousand), contracts in progress (€ 40 thousand; 2013: € 120 thousand), trade accounts receivable (€ 33 thousand; 2013: € 0), prepaid expenses (€ 6 thousand; 2013: € 0), capital from profit participation rights and subordinated loans (€ 5 thousand; 2013: € 9) and equity-accounted investments (€ 4 thousand; 2013: € 0).

An explanation of the differences arising from the first inclusion of Pironet NDH Aktiengesellschaft, HPM Incorporation and CANCOM DIDAS 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 stockholdings in subsidiaries, which amount to € 20,809 thousand.

Recognition is based on an individual tax rate of between 25 percent (Austrian subsidiary) and 39.83 percent (US subsidiary).

21. Pension provisions

This item only includes provisions for staff pensions (€ 1,796 thousand; 2013: € 110 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 projected unit credit method is used as an actuarial valuation method, in line with IAS 19.67-68.

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

	2014 €'000	2013 €'000
Changes in pension obligation		
Defined benefit obligation (DBO) as at January 1	110	144
Service cost: present value of claims accrued	29	1
Actuarial gain/loss arising from financial assumptions	387	0
Interest cost	45	5
Pension payments	-8	0
Business combinations	1,597	-40
Defined benefit obligation (DBO) as at December 31	**2,160**	**110**
Changes in plan assets		
Fair value of plan assets as at January 1	60	56
Expected return on plan assets	68	4
Business combinations	335	0
Fair value of plan assets as at December 31	**463**	**60**
Loss not yet recognized in the balance sheet	**0**	**0**
Composition:		
Provisions for pensions	1,796	110
Other loans	-99	-60
Loss not yet recognized in the balance sheet	0	0
	1,697	**50**

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, 2014 €'000	Dec. 31, 2013 €'000
Defined benefit obligation	2,160	110
Fair value of plan assets	463	60

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

	2014 %	2013 %
Interest rate	2.15	3.40
Expected return on plan assets	2.40	2.80
Salary trend	2.00	3.20
Pension trend	1.50	1.00
Staff turnover	0.00	1.50

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

	2014 €'000	2013 €'000
Current service costs	29	1
Acturial gain	387	0
Interest cost	45	5
Benefit payments	-8	0
Expected return on plan assets	-68	-4
	385	**2**

Sensitivity analyses:
A change to the assumptions on which the above figures are based would increase or reduce the DBO as follows:

		Increase €'000		Reduction €'000
Assumed interest rate	1.15%	519	3.15%	-385
Salary trend	2.50%	31	1.50%	-29
Pension trend	1.75%	73	1.25%	-69

The expenses for pension payments in the fiscal year 2015 are expected to be € 108 thousand (2014: € 3 thousand).

The benefit obligations are due after more than one year.

22. Other non-current financial liabilities

Other non-current financial liabilities include purchase price liabilities of € 1,631 thousand (2013: € 584 thousand), debtors with a credit balance, amounting to € 611 thousand (2013: € 485 thousand), rent obligations of € 592 thousand (2013: € 675 thousand) and a motor vehicle loan amounting to € 9 thousand (2013: € 0).

23. Equity

Changes in the equity capital are shown in Annex 4.

Capital stock

The company's capital stock at December 31, 2014 was € 14,879,574 (2013: € 14,615,791), divided into 14,879,574 (2013: 14,615,791) notional no-par value stocks.

Authorized and conditional capital

In conformity with the by-laws, the company's authorized capital stock totaled € 5,561,177 as at December 31, 2014. 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 € 511,177 by issuing up to 511,177 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 Corporation 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 Corporation 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, 2014 authorizes the Executive Board to increase the capital stock once or in several steps by up to a total of € 650,000 by issuing up to 650,000 new notional no-par value bearer stocks for a cash consideration. The stocks must be issued by June 20, 2019 and any issue of stocks is subject to the approval of the Supervisory Board.

Stockholders are granted subscription rights to which the following applies:

a) The subscription rights may be excluded if the company increases the capital stock for a non-cash consideration in the event of the acquisition of a company or parts of a company or an equity interest in a company.

b) The subscription rights may be excluded 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 Corporation 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 18, 2013 with the simplified exclusion of subscription rights in line with Section 186, paragraph 3, sentence 4 of the German Stock Corporation 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 18, 2013 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 rights.
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 (2014) II, subject to the agreement of the Supervisory Board.

A resolution passed at the general stockholders' meeting on June 25, 2014 authorizes the Executive Board to increase the company's capital stock once or in several steps by up to a total of € 4,400,000 by issuing up to 4,400,000 new notional no-par value bearer stocks for a cash consideration. The stocks must be issued by June 20, 2019, and any issue of stocks is subject to the approval of the Supervisory Board. Stockholders have been granted subscription rights.

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

The Executive Board will determine the nature of the relevant rights conferred by the stocks and the other conditions of the stock issue subject to the approval of the Supervisory Board – authorized capital (2014) III.

The Executive Board made use of the above authorization in the fiscal year 2014 by using part of the authorized capital (2010) I. It passed the following resolution, with the approval of the Supervisory Board:

It was decided that the company's capital stock should be increased by € 263,783 from € 14,615,791 to € 14,879,574 against non-cash contributions by issuing 263,783 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 € 263,783 (equivalent to 263,783 new stocks) and the increase was recorded in the commercial register at Munich Local Court (Amtsgericht) under commercial register no. HRB 203845 on July 3, 2014. The authorized capital (2010/I) resolved by the general meeting of stockholders on June 20, 2010 amounts to € 511,177 after partial use. No. 4 of the company's by-laws (capital stock, authorized capital) was amended by resolution of the Supervisory Board on June 25, 2014.

In accordance with the company's by-laws, the conditional capital at December 31, 2014 amounted to € 1,450,000. The details of the conditional capital are as follows:

A resolution passed by the general meeting of stockholders on June 18, 2013 authorizes the Executive Board to issue convertible bonds or warrant bonds carrying conversion rights or options to buy new stocks in the company. The bonds can be issued in one or more tranches, but they must be issued by June 17, 2018 and any issue of bonds is subject to the approval of the Supervisory Board. The total nominal amount of the bonds may not exceed € 45,000,000, for an issue of up to 2,000,000 new no-par value stocks. The Executive Board is authorized to exclude the stockholders' subscription rights subject to the approval of the Supervisory Board, for the purpose, among others, of issuing the bond against cash. This applies only if the issue amount of the bonds is not significantly below their market value as calculated by approved methods of financial calculation, and the number of stocks that could come into existence by the exercising of the conversion rights or options for the bonds does not exceed 10 percent of the capital stock, either at the time that the authorization becomes effective or – if this value is smaller – at the time the above authorization is exercised. The limit of 10 percent of the capital stock must include any sale of the company's own stocks based on an authorization in line with Section 186, paragraph 3, sentence 4 of the German Stock Corporation Act applying at the time that this authorization comes into effect, or on another authorization replacing it and under which stockholders rights are excluded. In addition, the limit of 10 percent of the capital stock must include stocks issued from authorized capital and excluding stockholders' subscription rights in line with Section 186, paragraph 3, sentence 4 of the German Stock Corporation Act during the period of this authorization until the convertible bonds or warrant bonds, for which stockholders' subscription rights are excluded, are issued in accordance with the above Act. To determine the market value, the company must obtain an expert opinion from an experienced investment bank.

The Executive Board made use of the above authorization in the fiscal year 2014 by issuing a convertible bond for the total nominal amount of € 45,000,000 providing for the creation of up to 2,000,000 new no-par value stocks.

To secure the conversion rights, the general meeting of stockholders on June 18, 2013 passed a resolution to create new conditional capital of up to € 2,000,000, designated as conditional capital (2013). The amendment to the company's by-laws was entered in the commercial register on August 1, 2013.

At the general meeting of stockholders on June 25, 2014, the resolution passed at the general meeting of stockholders on June 18, 2013 regarding the creation of conditional capital of up to € 2,000,000 by issuing up to 2,000,000 new no-par value stocks was rescinded to the extent that the conditional capital (2013) now only amounts to up to € 1,450,000, equivalent to 1,450,000 new no-par value stocks. The amendment to the company's by-laws was entered in the commercial register on July 17, 2014.

The capital stock is therefore increased conditionally by up to € 1,450,000 by the issue of up to 1,450,000 new no-par value stocks (contingent capital (2013) I). The conditional increase in capital will only be implemented to the extent that holders of the convertible bond issued on March 27, 2014 exercise their conversion rights in line with the terms and conditions of the bond. The stocks will be issued at the relevant conversion price under the terms and conditions of the bond. 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 retained profits/(net accumulated losses). 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 is not aware of any restrictions on voting rights or on the transfer of stocks.

Net retained profits/(net accumulated losses)

In accordance with the resolution of the general meeting of stockholders, a dividend of € 0.40 per stock (total € 5,847 thousand) was paid in 2014 from the net retained profits/(net accumulated losses) generated in the previous year.

24. Minority interests

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

25. 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, other liabilities, liabilities connected with disposals, and deferred income.

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

		31.12.2014	31.12.2013
Equity	€ million	193.8	162.7
Equity as a percentage of the total capital	percent	44.1	50.9
Borrowed capital	€ million	245.5	156.9
Borrowed capital as a percentage of the total capital	percent	55.9	49.1
Total capital (equity and borrowed capital)	€ million	439.3	319.6

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.

For details of changes to the figures stated for the previous year, please see section A.4.

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: cloud solutions, and IT solutions.

Description of the segments subject to mandatory reporting

The cloud solutions operating segment comprises PIRONET NDH Datacenter AG & Co. KG, PIRONET NDH EDI-Services GmbH, and PIRONET NDH Enterprise Solutions GmbH, in addition to the divisions of CANCOM GmbH and CANCOM DIDAS GmbH allocated to the cloud solutions segment. This operating segment comprises the CANCOM group's cloud und shared managed services business, including sales revenues from cloud hardware allocated to the projects. This ranges from analysis and advice to delivery, implementation and services. Clients are thus offered the necessary orientation and support for the conversion from traditional corporate IT systems to cloud computing. As part of its range of services, the CANCOM group can provide scalable cloud and managed services – in particular shared managed services – to run entire IT departments, or parts of them, for its clients. Distribution costs allocated to cloud distribution are included in the segment. The cloud business also benefits from synergies with CANCOM's normal sales and distribution, the costs of which are allocated to the IT solutions reportable segment.

The IT solutions operating segment comprises CANCOM GmbH, CANCOM Computersysteme GmbH, CANCOM a+d IT solutions GmbH, CANCOM (Switzerland) AG, CANCOM NSG GmbH, CANCOM NSG GIS GmbH, CANCOM NSG SCS GmbH, CANCOM NSG ICP GmbH, CANCOM on line GmbH, Imperia AG, CANCOM physical infrastructure GmbH, acentrix GmbH, CANCOM, Inc., HPM Incorporated and Verioplan GmbH, with the exception of the division of CANCOM GmbH allocated to the cloud solutions segment, in addition to the division of CANCOM DIDAS GmbH allocated to the IT solutions segment. This operating segment of the CANCOM group offers comprehensive support for IT infrastructure and applications. The range of services offered includes IT strategy consulting, project planning and implementation, system integration, IT procurement via e-procurement services or as part of a project, in addition to professional IT services and support.

The other companies are CANCOM SE, Pironet NDH Aktiengesellschaft, CANCOM VVM GmbH, CANCOM Financial Services GmbH in addition to the division of CANCOM DIDAS GmbH allocated to the other companies segment. CANCOM SE, Pironet NDH Aktiengesellschaft and the division of CANCOM DIDAS GmbH allocated to this segment perform the staff and/or management function for the group. As such, they provide a range of services for the subsidiaries. The costs of central management of the group and its investments in internal group projects also fall within this segment.

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	
	2014 €'000	2013 €'000	2014 €'000	2013 €'000
Germany	713,818	569,246	750,674	588,669
Outside Germany	115,043	44,547	78,187	25,124
Group	828,861	613,793	828,861	613,793

	Non-current assets	
	Dec. 31, 2014 €'000	Dec. 31, 2013 €'000
Germany	136,828	75,264
Outside Germany	9,241	1,873
Group	146,069	77,137

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 € 828,861 thousand, include order revenue of € 2,147 thousand calculated using the POC method.

2. Other operating income

The other operating income is made up of the following:

	2014 €'000	2013 €'000
Rent	4	36
Income not relating to the period	613	497
Government grants	481	440
Compensation	4	52
Other operating income	138	39
Total	**1,240**	**1,064**

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 2014 from availing of loans at a favorable interest rate.

For more information see details on loans in sections C. 16 and C. 18.

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:

	2014 €'000	2013 €'000
Capitalized development costs	743	146
Own work capitalized for acquired intangible assets	415	13
Own work capitalized for acquired tangible assets	411	248
Total	**1,569**	**407**

Research and development costs were not capitalized if they did not meet the criteria for recognition under IAS 38. They amounted to less than € 0.1 million (2013: € 0.5 million).

4. Personnel expenses

The personnel expenses consist of the following:

	2014 €'000	2013 €'000
Wages and salaries	142,867	105,206
Social security contributions	23,280	18,036
Pension expenses	274	261
Total	**166,421**	**123,503**

For details of changes to the figures stated for the previous year, please see section A.4.

5. Other operating expenses

The other operating expenses consist of the following items:

	2014 €'000	2013 €'000
Office space costs	8,997	6,882
Insurance and other charges	937	722
Motor vehicle costs	5,555	4,968
Advertising costs	2,966	1,144
Stock exchange and entertainment costs	514	470
Hospitality and travelling expenses	5,165	3,679
Delivery costs	2,675	1,951
Third-party services	2,593	2,935
Repairs, maintenance, leasing	1,922	1,094
Communication and office expense	2,217	1,899
Professional development and training costs	1,293	1,332
Legal and consultancy expenses	1,774	1,083
Fees and charges; costs of money transactions	924	438
Other operating expenses	2,107	1,336
Total	**39,639**	**29,933**

6. Interest income and expenses

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

For details of changes to the figures stated for the previous year, please see section A.4.

7. Income tax

The rate of income tax for the German companies was 30.58 percent (2013: 30.52 percent). This is made up of corporate tax, trade tax and solidarity surcharge. The slight increase in the income tax rate is owing to the increase in the average rate of trade tax.

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

	2014 €'000	2013 €'000
Earnings before tax	**26,366**	**21,145**
Expected tax expense at rate for German companies (30.58 percent; 2013: 30.52 percent)	**8,063**	**6,453**
- Difference from tax paid outside Germany	-76	-7
- Change in value adjustment of deferred tax assets on loss carryforwards	288	126
- Tax-exempt income / non tax-relevant losses on disposals	80	57
- Actual income tax not relating to the period	188	-104
- Permanent differences: non-deductible operating expenses, as well as additions and reductions in relation to trade tax	533	363
- Effects of tax rate changes	11	-30
- Miscellaneous	-18	-2
Total group income tax	**9,069**	**6,856**

The actual tax rate is calculated as follows:

	2014 €'000	2013 €'000
Income before tax	26,366	21,145
Income tax	9,069	6,856
Actual tax expense rate	34.40%	32.42%

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

	2014 €'000	2013 €'000
Actual income tax paid	11,842	7,225
Deferred taxes:		
Assets	331	-123
Liabilities	-3,141	-702
	-2,810	-825
Deferred taxes recognized directly in equity	37	456
Group income tax	**9,069**	**6,856**

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 five 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.

For details of changes to the figures stated for the previous year, please see section A.4.

8. Discontinued operations

The impact of discontinued operations on the consolidated statement of income in 2014 was a loss of € 6,000 thousand (2013: € 0 thousand). .

This amount consists of income (including other own work capitalized, other operating income and income from long-term equity investments) of € 13,202 thousand and expenditure of € 21,467 thousand, resulting in a pre-tax loss of € 8,265 thousand. There was a related income tax gain of € 2,235 thousand. The after-tax profit/loss includes a loss from the valuation of assets at the fair value of € 2,828 thousand.

The discontinued operations relate to the intended sale of Imperia AG (a loss of € 4,996 thousand) and the repayment of a purchase price in the fiscal year 2015 in connection with the sale in 2011 of a former subsidiary (a loss of € 1,034 thousand).

As a group, CANCOM focuses on the high-growth and high-margin cloud computing business. At the end of 2014, Pironet NDH Aktiengesellschaft decided to focus on the highly profitable cloud data center services business, and has started the process of selling its wholly-owned subsidiary Imperia AG.

9. Minority interests

Minority interests account for 25.14 percent (at the start of the year) to 21.91 percent (at the end of the year) of the net loss of Pironet NDH Aktiengesellschaft (€ 936 thousand), in addition to 49 percent of the net loss of acentrix GmbH (€ 122 thousand) and 51 percent of the net loss made by Glanzkinder GmbH until its sale on October 28, 2014 (€ 312 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 operating activities. There was an increase of € 16.1 million in the cash flow from ordinary activities in comparison with the previous year.

The cash resources of € 114,356 thousand (2013: 77,773 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,
- WFO Vermögensverwaltung GmbH,
- AURIGA Corporate Finance GmbH, and
- Dr. Vielberth Verwaltungsgesellschaft mbH.

The following level of remuneration was set for the Executive Board members in the fiscal year 2014:

The remuneration of the CEO, Klaus Weinmann, consisted of a fixed payment of € 554 thousand (2013: € 524 thousand), an annual bonus of € 1,000 thousand (2013: 667 thousand) and other remuneration components amounting to € 20 thousand (2013: € 21 thousand). His total remuneration was € 1,574 thousand (2013: € 1,212 thousand). The remuneration of the other Executive Board member, Rudolf Hotter, consisted of a fixed payment of € 363 thousand (2013: € 349 thousand), an annual bonus of € 500 thousand (2013: € 334) thousand and other remuneration components amounting to € 5 thousand (2013: € 7 thousand). His total remuneration was € 868 thousand (2013: € 690 thousand). The total remuneration of the Executive Board in the fiscal year 2014 was € 2,442 thousand (2013: € 1,902 thousand).

The Supervisory Board members received the following remuneration in the fiscal year 2014:

The remuneration of Walter von Szczytnicki, who was Chairperson of the Supervisory Board until June 25, 2014, was € 44 thousand (2013: € 90 thousand). Walter Krejci replaced Walter von Szczytnicki as Chairperson on June 25, 2014. His remuneration amounted to € 65 thousand (2013: € 25 thousand). The remuneration of Stefan Kober, who was Deputy Chairperson until June 25, 2014, was € 22 thousand (2013: € 45 thousand). Dr. Lothar Koniarski, who replaced Stefan Kober as Deputy Chairperson on June 25, 2014, received € 39 thousand (2013: € 15 thousand). Regina Weinmann received € 25 thousand (2013: € 25 thousand), Uwe Kemm € 16 thousand (2013: € 0), Dominik Eberle € 15 thousand (2013: € 0). In 2013, Professor Dr. Arun Chaudhuri received € 14 thousand and Petra Neureither received € 20 thousand. The total remuneration of the Supervisory Board members in 2014 was € 226 thousand (2013: € 234 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 € 3,049 thousand (gross) (2013: € 2,963 thousand), of which € 294 thousand (2013: € 184 thousand) was outstanding at the balance sheet date. Walter von Szczytnicki purchased goods/services in the period from January 1 to June 25, 2014 amounting to € 1 thousand (2013: € 0). This amount had been paid in full by the reporting date.

The transaction volume of goods and services purchased from related parties under IAS 24 was € 4 thousand (gross) (2013: € 2 thousand), which had been paid in full by the balance sheet date in 2013 and 2014 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 no-par value shares	percentage
Klaus Weinmann	100,000	0.6721
Regina Weinmann	20,000	0.1344
Dominik Eberle	10,000	0.0672

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	2015 €'000	2016 €'000	2017 €'000	2018 €'000	2019 €'000	later €'000	total €'000
under tenancy agreements	5,751	4,652	3,009	2,327	2,081	4,864	22,684
under leasing agreements	2,717	1,327	362	31	0	0	4,437
	8,468	**5,979**	**3,371**	**2,358**	**2,081**	**4,864**	**27,121**

The leasing agreements are for operating leases.

Claims are currently being made regarding a license. However, it is not currently expected that these will result in any future financial liabilities for the group.

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

In the fiscal year 2007, CANCOM sold its business premises under a sale and leaseback agreement to improve liquidity and optimize the structure of its balance sheet. The CANCOM group bought it back in 2014.

5. Declaration of conformity with the German Corporate Governance Code

CANCOM SE made a statement of conformity on December 10, 2014 in accordance with Section 161 of the German Stock Corporation Act (Aktiengesetz, AktG). This is permanently accessible on the company's website at www.cancom.com.

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:

	2014 €'000	2013 €'000
a) Financial statements	146*	143*
b) Other audit-related services	17	105
c) Tax consultancy	0	0
d) Other services	85	54

* thereof attributable to financial year 2013: € 4 thousand
(2013 attributable to financial year 2012: € 14 thousand)

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

7. Employees

	2014	2013
Average over the year	2,850	2,226
At year-end	2,909	2,360

The average number of employees is divided between the following functions: professional services (1,940; 2013: 1,531), sales (538; 2013: 379), administration (242; 2013: 204), logistics and client services (61, 2013: 51), purchasing (43; 2013: 35), and marketing and product management (27; 2013: 26).

8. Details of equity interests in CANCOM SE

As at December 31, 2014, 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 January 16, 2014, Allianz Global Investors Luxembourg S.A., Senningerberg, Luxembourg, informed us that its share of the voting rights of CANCOM SE had fallen below the 5 percent threshold on January 15, 2014 and on that day amounted to 4.87 percent (equivalent to 711,270 voting rights). In accordance with Section 22, paragraph 1, sentence 1 number 6 of the German Securities Trading Act (Wertpapierhandelsgesetz, WpHG), 2.14 percent of the voting rights (equivalent to 312,678 voting rights) are attributable to the company.

On February 10, 2014, Ameriprise Financial, Inc., Minneapolis, U.S.A. (Threadneedle Asset Management) informed us that its share of the voting rights of CANCOM SE had exceeded the 3 percent threshold on February 7, 2014, and on that day amounted to 3.02 percent (equivalent to 440,752 voting rights). In accordance with Section 22, paragraph 1, sentence 1 number 6 of the German Securities Trading Act, 3.02 percent of the voting rights (equivalent to 440,752 voting rights) are attributable to the company).
On June 26, 2014, Denver Investment Advisors LLC, Denver, U.S.A. informed us that its share of the voting rights of CANCOM SE had exceeded the 3 percent threshold on June 25, 2014 and on that day amounted to 3.06 percent (equivalent to 446,670 voting rights).

On July 7, 2014, Allianz Global Investors Europe GmbH, Frankfurt/Main, Germany, informed us that its share of the voting rights of CANCOM SE had exceeded the 10 percent threshold on July 1, 2014 and on that day amounted to 11.35 percent (equivalent to 1,658,672 voting rights). In accordance with Section 22, paragraph 1, sentence 1 number 6 of the German Securities Trading Act, 9.21 percent of the voting rights (equivalent to 1,346,672 voting rights) are attributable to the company.

On November 28, 2014, Threadneedle Investment Services Limited, London, U.K., informed us that its share of the voting rights of CANCOM SE had exceeded the 3 percent threshold on November 26, 2014 and on that day amounted to 3.06 percent (equivalent to 454,822 voting rights). In accordance with the above Act, 3.06 percent of the voting rights (equivalent to 454,822 voting rights) are attributable to the company. The attributed voting rights are held through Threadneedle Investment Funds ICVC, whose share of the voting rights in CANCOM SE amounts to 3 percent or more.

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:

- Klaus Weinmann:
  - Pironet NDH Aktiengesellschaft (since June 13, 2014)
  - AL-KO Kober SE (since June 27, 2014)
  - CANCOM GmbH (since July 11, 2014)
- Rudolf Hotter:
  - Pironet NDH Aktiengesellschaft (since June 13, 2014)
  - 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
- Markus Saller, graduate in business administration (Diplom-Kaufmann), Garmisch-Partenkirchen, Germany

- Thomas Stark is on the supervisory boards of other companies:
  - AL-KO Kober SE (since June 27, 2014)
  - Imperia AG (since December 9, 2014)

The members of the Supervisory Board are:

- Walter von Szczytnicki, management consultant, Kirchseeon, Germany, Chairperson (until June 25, 2014)
- Walter Krejci, managing director of AURIGA Corporate Finance GmbH, Munich, Germany, Chairperson (since June 25, 2014)
- Stefan Kober, member of the board of management of AL-KO Kober SE, Kötz, Germany, Deputy Chairperson (until June 25, 2014)
- Dr. Lothar Koniarski, graduate in business administration (Diplom-Kaufmann), managing director of Dr. Vielberth Verwaltungsgesellschaft mbH, Regensburg, Germany, Deputy Chairperson (since June 25, 2014)
- Regina Weinmann, graduate in business administration (Diplom-Kauffrau), managing director of WFO Vermögensverwaltung GmbH, Aystetten, Germany
- Uwe Kemm, independent organizational, sales and marketing consultant (since June 25, 2014)
- Dominik Eberle, online marketing and e-commerce consultant (since June 25, 2014)

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

- Walter von Szczytnicki:
  - AL-KO Kober SE (until June 27, 2014)

10. Significant events after the reporting date

There were no significant events after the reporting date.

11. Proposal for the appropriation of net 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 € 13,296,395.79 net retained profit from the fiscal year 2014 be used for a dividend payment of € 0.50 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 10, 2015.

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		
• acentrix GmbH	Munich, Germany	51.0
• CANCOM (Switzerland) AG	Caslano, Switzerland	100.0
• CANCOM Computersysteme GmbH	Graz, Austria	100.0
and its subsidiary		
• CANCOM a + d IT solutions GmbH	Perchtoldsdorf, Austria	100.0
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. Pironet NDH Aktiengesellschaft	Cologne, Germany	100.0
5. CANCOM DIDAS GmbH	Langenfeld, Germany	100.0
6. CANCOM physical infrastructure GmbH	Jettingen-Scheppach, Germany	100.0
7. Verioplan GmbH	Munich, Germany	100.0
8. CANCOM, Inc.	Palo Alto, USA	100.0
and its subsidiary		
• HPM Incorporation	Pleasanton, USA	100.0
9. Cancom on line BVBA	Elsene, Belgium	100.0
10. CANCOM Ltd	London, UK	100.0
11. CANCOM Financial Services GmbH	Jettingen-Scheppach, Germany	100.0
12. CANCOM VVM GmbH	Jettingen-Scheppach, Germany	100.0
Associated companies:		
1. prudsys AG	Chemnitz, Germany	19.9

Munich, Germany, March 10, 2015

Klaus Weinmann Rudolf Hotter

Executive Board of CANCOM SE

Responsibility Statement of the consolidated financial statement

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

Munich, Germany, March 10, 2015

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 2014. 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, 10 March 2015

S&P GmbH
Wirtschaftsprüfungsgesellschaft

Ulrich Stauber	Johann Dieminger
Certified auditor	Certified auditor

SE Company balance sheet as at December 31, 2014

ASSETS

	Dec. 31, 2014 €	Dec. 31, 2013 €
A. ASSETS		
I. Intangible assets		
Concessions, industrial property rights and other similar rights and values, as well as licenses to such rights and values	137,024.01	134,076.94
II. Property, plant and equipment		
1. Plant and machinery	113,089.70	135,246.54
2. Other plant, fixtures, fittings and equipment	486,076.59	526,780.35
	599,166.29	662,026.89
III. Financial assets		
1. Shares in affiliated companies and subsidiaries	138,423,816.55	59,245,891.55
2. Loans to affiliated companies	6,121,727.71	0.00
3. Equity investments	0.00	29,275,094.95
4. Long-term investments	1,503.99	0.00
5. Other loans	758,933.32	0.00
	145,305,981.57	88,520,986.50
B. CURRENT ASSETS		
I. Accounts receivable and other assets		
1. Accounts receivable due from affiliated companies and subsidiaries	29,160,135.22	26,217,061.03
2. Other assets	698,386.70	388,101.75
	29,858,521.92	26,605,162.78
II. Cash in hand, cash deposited with the Bundesbank, cash at banks and checks	50,498,809.86	44,655,847.12
C. PREPAID EXPENSES/DEFERRED INCOME	47,278.00	60,550.61
	226,446,781.65	**160,638,650.84**

EQUITY AND LIABILITIES

	Dec. 31, 2014 €	Dec. 31, 2013 €
A. EQUITY CAPITAL		
I. Capital stock	14,879,574.00	14,615,791.00
II. Additional paid-in capital	112,602,237.59	96,896,231.56
III. Retained earnings		
1. Statutory reserves	6,665.71	6,665.71
2. Other reserves	34,613,367.67	28,590,339.46
	34,620,033.38	28,597,005.17
IV. Net income	13,296,395.79	11,869,344.61
	175,398,240.76	151,978,372.34
B. PROVISIONS		
1. Deferred taxes	176,255.64	186,835.00
2. Other provisions	2,148,480.16	1,677,449.00
	2,324,735.80	1,864,284.00
C. LIABILITIES		
1. Bonds		
a) Convertible bond	39,820,285.30	0.00
b) Capital from profit participation rights and subordinated loans	4,388,100.00	4,388,100.00
2. Liabilities due to banks	1,418,105.38	1,716,538.34
3. Trade accounts payable	44,378.42	493,294.79
4. Other liabilities	3,040,625.99	184,167,37
	48,711,495.09	6,782,100.50
D. PREPAID EXPENSES/DEFERRED INCOME	12,310.00	13,894.00
	226,446,781.65	**160,638,650.84**

Company income statement for the period from January 1, 2014 to December 31, 2014

	2014 €	2013 €
1. Sales revenues	7,871,410.38	7,809,195.38
2. Other operating income	1,124,801.86	2,102,155.57
3. Personnel expenses		
a) Wages and salaries	-5,323,189.56	-4,487,926.49
b) Social security, pension and other benefit costs	-469,222.36	-412,745.70
	-5,792,411.92	-4,900,672.19
4. Depreciation and amortization:		
on intangible and tangible fixed assets	-207,970.54	-177,871.73
5. Other operating expenses	-3,759,268.26	-3,510,058.94
6. Income from equity investments	4,000,036.82	0.00
7. Profits gained on the basis of a profit transfer agreement	17,377,543.71	17,552,247.81
8. Other interest and similar income	998,893.43	714,223.73
9. Depreciation on investments	-249,575.58	-139,045.00
10. Interest and similar expenses	-1,583,261.31	-510,113.37
11. Profit / loss from ordinary activities	**19,780,198.59**	**18,940.061.26**
12. Extraordinary expenses	-1,053,940.28	-1,492,887.07
13. Extraordinary profit/loss	-1,053,940.28	-1,492,887.07
14. Taxes on income	-5,426,484.52	-5,574,083.51
15. Other taxes	-3,378.00	-3,746.07
16. Net profit for the year	**13,296,395.79**	**11,869.344.61**
17. Net profit carried forward	11,869,344.61	7,409,710.35
18. Transfer to other revenue reserves	-6,023,028.21	-3,409,271.25
19. Dividend payment	-5,846,316.40	-4,000,439.10
20. Retained profit	**13,296,395.79**	**11,869,344.61**


CANCOM

Statement of changes in fixed assets

	COSTS				
	Balance as at Jan 1, 2014 €	Additions 2014 €	Disposals 2014 €	Transfers 2014 €	Balance as at Dec. 31, 2014 €
I. Intangible assets					
Concessions, industrial property rights and similar rights and values as well as licenses thereto	135,936.94	14,107.07	0.00	0.00	150,044.01
	135,936.94	14,107.07	0.00	0.00	150,044.01
II. Property, plant and equipment (tangible assets)					
1. Technical equipment and machinery	340,998.34	0.00	0.00	0.00	340,998.34
2. Other plant, fixtures, fittings and equipment	985,671.50	143,245.32	58,210.97	0.00	1,070,705.85
	1,326,669.84	143,245.32	58,210.97	0.00	1,411,704.19
III. Financial assets					
1. Shares in affiliated companies	59,384,936.55	50,061,041.24	297,256.19	29,275,094.95	138,423,816.55
2. Loans to affiliated companies	0.00	6,121,727.71	0.00	0.00	6,121,727.71
3. Equity investments	29,275,094.95	0.00	0.00	-29,275,094.95	0.00
4. Long-term securities	0.00	1,503.99	0.00	0.00	1,503.99
5. Other loans	0.00	758,933.32	0.00	0.00	758,933.32
	88,660,031.50	56,943,206.26	297,256.19	0.00	145,305,981.57
Total	**90,122,638.28**	**57,100,558.65**	**355,467.16**	**0.00**	**146,867,729.77**

DEPRECIATION, AMORTIZATION AND WRITE-DOWNS				CARRYING AMOUNTS	
Balance as at Jan. 1, 2014 €	Additions 2014 €	Disposals 2014 €	Balance as at Dec. 31, 2014 €	Balance as at Dec. 31, 2014 €	Balance as at Dec. 31,2013 €
1,860.00	11,160.00	0.00	13,020.00	137,024.01	134.076,94
1,860.00	11,160.00	0.00	13,020.00	137,024.01	134.076,94
205,751.80	22,156.84	0.00	227,908.64	113,089.70	135.246,54
458,891.15	174,653.70	48,915.59	584,629.26	486,076.59	526.780,35
664,642.95	196,810.54	48,915.59	812,537.90	599,166.29	662.026,89
139.045.00	0.00	139,045.00	0.00	138,423,816.55	59,245,891.55
0.00	0.00	0.00	0.00	6,121,727.71	0.00
0.00	0.00	0.00	0.00	0.00	29,275,094.95
0.00	0.00	0.00	0.00	1,503.99	0.00
0.00	0.00	0.00	0.00	758,933.32	0.00
139,045.00	0.00	139,045.00	0.00	145,305,981.57	88,520,986.50
805,547.95	**207,970.54**	**187,960.59**	**825,557.90**	**146,042,171.87**	**89,317,090.33**

Notes to the company accounts for the fiscal year 2014

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 Corporation 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 (tangible assets)

Property, plant and equipment are recognized at cost less depreciation according to plan or write-downs. Depreciation is calculated by the straight-line method.

A useful life of between 3 and 14 years is applied to property, plant and equipment. Assets will be written down if their impairment is expected to be permanent.

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 (long-term financial assets)

Long-term financial assets 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, an excess 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 30.8 percent (2013: 30.6 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.

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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 (Annex 3, page 13).

For the composition of the financial assets and the net incomes/(losses) for the year of the subsidiaries, please see the statement of stockholdings in companies (Annex 3, pages 14 and 15).

Accounts receivable and other assets

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

Accounts receivable from affiliated companies amount to € 29,160 thousand (2013: € 26,217 thousand). These relate to CANCOM GmbH (€ 19,708 thousand; 2013: € 16,688 thousand), CANCOM Inc. (€ 665 thousand, 2013: € 28 thousand) CANCOM NSG GmbH (€ 4,873 thousand; 2013: € 5,871 thousand),CANCOM Computersysteme GmbH (€ 1,749 thousand, 2013: € 1,681 thousand), CANCOM DISDAS GmbH (€ 1,441 thousand, 2013: € 0 thousand), acentrix GmbH (€ 609 thousand, 2013: € 4 thousand), CANCOM NSG GIS GmbH (€ 52 thousand, 2013: € 789 thousand), CANCOM NSG ICP GmbH (€ 27 thousand; 2013: € 142 thousand), CANCOM a + d IT solutions GmbH (€ 22 thousand; 2013: € 4 thousand), CANCOM on line BVBA (€ 6 thousand, 2013: € 0 thousand), CANCOM physical infrastructure GmbH (€ 4 thousand; 2013: € 4 thousand) and CANCOM NSG SCS GmbH (€ 4 thousand; 2013: € 1 thousand). In 2013, accounts receivable from CANCOM Glanzkinder GmbH (€ 1,005 thousand) were also included.

Of the accounts receivable from affiliated companies, loans account for € 8,689 thousand (2013: € 7,681 thousand), other current assets € 18,854 thousand (2013: € 16,100 thousand) and trade accounts receivable € 1,617 thousand (2013: €2,436 thousand).

Capital stock

As at December 31, 2014, the company's capital stock was € 14,879,574 (2013: € 14,615,791), divided into 14,879,574 notional no-par-value bearer stocks (2013: 14,615,791).

Authorized and conditional capital

In conformity with the by-laws, the company's authorized capital stock totaled € 5,561,177 as at December 31, 2014; 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 € 511,177 by issuing up to 511,177 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 Corporation 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, 2014 authorizes the Executive Board to increase the capital stock once or in several steps by up to a total of € 650,000 by issuing up to 650,000 new notional no-par-value bearer stocks for a cash or non-cash consideration. The stocks must be issued by June 20, 2019 and any issue of stocks is subject to the approval of the Supervisory Board. Stockholders are granted subscription rights to which the following applies:

a) The subscription rights may be excluded if the company increases the capital stock for a non-cash consideration in the event of the acquisition of a company or parts of a company or an equity interest in a company.

b) The subscription rights may be excluded 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 18, 2013 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 18, 2013 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 rights.

The Executive Board will determine the nature of the relevant rights conferred by the stocks and the other conditions of the stock issue, subject to the agreement of the Supervisory Board – authorized capital (2014) II.

A resolution passed at the general stockholders' meeting on June 25, 2014 authorizes the Executive Board to increase the company's capital stock once or in several steps by up to a total of € 4,400,000 by issuing up to 4,400,000 new notional no-par-value bearer stocks for a cash consideration. The stocks must be issued by June 20, 2019, and any issue of stocks is subject to the approval of the Supervisory Board. Stockholders have been granted subscription rights.

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

The Executive Board will determine the nature of the relevant rights conferred by the stocks and the other conditions of the stock issue subject to the approval of the Supervisory Board – authorized capital (2014) III.

The Executive Board made use of the above authorization in the fiscal year 2014 by using part of the authorized capital (2010) I. It passed the following resolution, with the approval of the Supervisory Board:

It was decided that the company's capital stock should be increased by € 263,783 from € 14,615,791 to € 14,879,574 against non-cash contributions by issuing 263,783 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 € 263,783 (equivalent to 263,783 new stocks) and the increase was recorded in the commercial register at Munich Local Court (Amtsgericht), commercial register no. HRB 203845, on July 3, 2014. The authorized capital (2010) I, resolved by the general meeting of stockholders on June 20, 2010 amounts to € 511,177 after partial use. No. 4 of the company's by-laws (capital stock, authorized capital) was amended by resolution of the Supervisory Board on June 25, 2014.

In accordance with the company's by-laws, the conditional capital at December 31, 2014 amounted to € 1,450,000. The details of the conditional capital are as follows:

A resolution passed by the general meeting of stockholders on June 18, 2013 authorizes the Executive Board to issue convertible bonds or warrant bonds carrying conversion rights or options to buy new stocks in the company. The bonds can be issued in one or more tranches, but they must be issued by June 17, 2018 and any issue of bonds is subject to the approval of the Supervisory Board. The total nominal amount of the bonds may not exceed € 45,000,000, for an issue of up to 2,000,000 new notional no-par-value stocks. The Executive Board is authorized to exclude the stockholders' subscription rights subject to the approval of the Supervisory Board, for the purpose, among other things, of issuing the bond against cash. This applies only if the issue amount of the bonds is not significantly below their market value as calculated by approved methods of financial calculation, and the number of stocks that could come into existence by the exercising of the conversion rights or options for the bonds does not exceed 10 percent of the capital stock, either at the time that the authorization becomes effective or – if this value is smaller – at the time the above authorization is exercised. The limit of 10 percent of the capital stock must include any sale of the company's own stocks based on an authorization in line with Section 186, paragraph 3, sentence 4 of the German Stock Corporation Act applying at the time that this authorization comes into effect, or on another authorization replacing it and under which stockholders rights are excluded. In addition, the limit of 10 percent of the capital stock must include stocks issued from authorized capital and excluding stockholders' subscription rights in line with Section 186, paragraph 3, sentence 4 of the German Stock Corporation Act during the period of this authorization until the convertible bonds or warrant bonds, for which stockholders' subscription rights are excluded, are issued in accordance with the above Act. To determine the market value, the company must obtain an expert opinion from an experienced investment bank.

The Executive Board made use of the above authorization in the fiscal year 2014 by issuing a convertible bond for the total nominal amount of € 45,000,000 providing for the creation of up to 2,000,000 new no-par-value stocks.

To secure the conversion rights, the general meeting of stockholders on June 18, 2013 passed a resolution to create new conditional capital of up to € 2,000,000, designated as conditional capital (2013). The amendment to the company's by-laws was entered in the commercial register on August 1, 2013.

At the general meeting of stockholders on June 2014, the resolution passed at the general meeting of stockholders on June 18, 2013 regarding the creation of conditional capital of up to € 2,000,000 by issuing up to 2,000,000 new no-par-value stocks was rescinded to the extent that the conditional capital (2013) now only amounts to up to € 1,450,000, equivalent to 1,450,000 no-par-value stocks. The amendment to the company's by-laws was entered in the commercial register on July 17, 2014.

The capital stock is therefore increased conditionally by up to € 1,450,000 by the issue of up to 1,450,000 new no-par-value stocks (contingent capital 2013/I). The conditional increase in capital will only be implemented to the extent that holders of the convertible bond issued on March 27, 2014 exercise their conversion rights in line with the terms and conditions of the bond. The stocks will be issued at the relevant conversion price under the terms and conditions of the bond. 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 is not aware of any restrictions on voting rights or on the transfer of stocks.

Capital reserves

The capital reserves consist of the following:

	2014 €'000	2013 €'000
Capital reserves at January 1	96,896	27,367
Increase in capital stock (Section 272, paragraph 2, no. 1 of the German Commercial Code – HGB)	9,680	69,529
Increase in capital stock (Section 272, paragraph 2, no. 2 of the German Commercial Code – HGB)	6,026	0
Capital reserves	**112,602**	**96,896**

Other revenue reserves

The other revenue reserves consist of the following

	2014 €'000	2013 €'000
Other revenue reserves at January 1	28,590	25,181
Transfer of retained profit	6,023	3,409
Other revenue reserves	**34,613**	**28,590**

Net retained profit

Net retained profit consists of the following

	2014 €'000	2013 €'000
Amount brought forward at January 1, 2014	11,869	7,410
Dividend distribution	-5,846	-4,000
Transfer to other revenue reserves	-6,023	-3,409
Net income for the year	13,296	11,869
Net retained profit	**13,296**	**11,869**

Provisions

The other provisions are mainly for bonus payments (€ 1,594 thousand; 2013: € 1,067 thousand), emoluments to Supervisory Board members (€ 197 thousand; 2013: € 198 thousand), financial statements and audit fees (€ 132 thousand; 2013: € 75 thousand), outstanding invoices (€ 65 thousand; 2013: € 148 thousand), benefit from rent-free period (€ 43 thousand; 2013: € 47 thousand), future tax audits (€ 38 thousand; 2013: € 33 thousand), variable salary components (€ 32 thousand; 2013: € 36 thousand), holiday entitlements (€ 21 thousand; 2013: € 16 thousand) and printing costs for the annual financial statements (€ 17 thousand; 2013: € 12 thousand). In 2013, provisions for impending losses from pending transactions (€ 20 thousand) and severance payments (€ 16 thousand) were also included.

Liabilities

For a breakdown of liabilities, please see the statement of liabilities (page 108/109).

Convertible bonds, capital from profit participation rights and subordinated loans are disclosed in the balance sheet under bonds.

CANCOM SE issued a convertible bond for a total nominal amount of € 45,000 thousand in March 2014. The bonds mature in March 2019 and the holders are entitled to convert their bonds into up to 1,055,510 new no-par-value bearer stocks in CANCOM SE. The denomination per unit is € 100,000. The initial conversion price is € 42.6334 per stock.

The conversion ratio is therefore 2,345.5788 stocks per bond at the relevant nominal amount of € 100,000. The conversion right for the bonds can be exercised throughout the entire term to maturity. The bond has a coupon of 0.875 percent. Interest will be paid annually on March 27, starting on March 27, 2015.

On the balance sheet, the convertible bond is split into an equity component and a debt component. The market value of the debt component to be recognized is € 38,975 thousand, taking into account the issuing costs. This value was calculated using the binomial model. The resulting value of the equity component is € 6,026 thousand. This is recognized under additional capital reserves. An interest expense of € 1,144 thousand was recognized for the bond in the period January 1 to December 31, 2014.

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

SCHEDULE OF LIABILITIES

	Remaining term		
	up to 1 year €	over 1 year €	over 5 years €
1. Bonds			
a) Convertible bonds	0.00	39,820,285.30	0.00
b) Profit participation rights and subordinated loans	2,000,000.00	2,388,100.00	0.00
2. Liabilities to banks	298,698.38	1,119,407.00	0.00
3. Trade accounts payable	44,378.42	0.00	0.00
4. Other liabilities	3,040,625.99	0.00	0.00
(of which taxes)	*1,660,700.65*	*0.00*	*0.00*
(of which social security contributions)	*0.00*	*0.00*	*0.00*
	5,383,702.79	**43,327,792.30**	**0.00**

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 2014 mainly consist of group allocations (€ 7,805 thousand; 2013: € 7,801 thousand).

Other operating income includes income not relating to the period, amounting to € 82 thousand (2013: € 45 thousand). This comprises income from the reversal of provisions (€ 41 thousand; 2013: € 36 thousand), commission income from the previous year (€ 37 thousand; 2013: € 9 thousand) and accounting profits on the sale of property, plant and equipment (tangible assets) (€ 4 thousand; 2013: € 0).

This takes account of income of € 48 thousand from currency conversion.

Also included in this item are bonuses of € 70 thousand (2013: € 0) from a car manufacturer for cars purchased.
In 2013, this item included income of € 771 thousand from the write-up of the equity interest in CANCOM physical infrastructure GmbH.

Depreciation and amortization of current assets where the amount is in excess of the level normal in a joint-stock company mainly comprises a write-down of the loan to Glanzkinder GmbH, which amounts to € 247 thousand.

Dec. 31, 2014 €	Dec. 31, 2013 €	Secured by lien or similar rights €	Type
39,820,285.30	0.00		Assignment of motor vehicle as security
4,388,100.00	4,388,100.00		
1,418,105.38	1,716,538.34	2,000,744.97	
44,378.42	493,294.79	0.00	
3,040,625.99	184,167.37	0.00	
1,660,700.65	*75,869.29*		
0.00	*0.00*		
48,711,495.09	**6,782,100.50**	**2,000,744.97**	

Profits based on a profit transfer agreement consists of CANCOM GmbH's net income for the year (€ 17,327 thousand; 2013: € 16,020 thousand) and that of CANCOM NSG GmbH (€ 51 thousand; 2013: € 1,532 thousand), which were transferred to CANCOM SE.

Interest and similar income comprises interest income of € 974 thousand (2013: € 678 thousand) from affiliated companies, and the expense of interest accrued on the convertible bond, which amounts to € 1,441 thousand (2013: € 0).

Extraordinary profit/loss consists of non-recurring expenses of € 1,000 thousand plus interest of € 49 thousand relating to the refund of the purchase price in connection with the sale of the former HOH Home of Hardware GmbH in 2011, as well as € 5 thousand for the capital increase (2013: € 1,493 thousand).

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. The group subsidiary CANCOM GmbH repurchased the business premises in 2014.

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 an excess of deferred tax assets over deferred tax liabilities. 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, stockholdings in affiliated companies and accounts receivable from affiliated companies (exchange rate difference), as well as deferred tax assets on goodwill and provisions

Other financial obligations

Obligations under current tenancy and lease agreements are as follows:

	due in 2015 €'000	Total €'000
Tenancy agreements	92	553
Lease agreements	6	6
of which from affiliated companies	17	17

Contingent liabilities

As at the reporting date, there are guarantees for CANCOM GmbH (€ 11,642 thousand; 2013: € 11,642 thousand), CANCOM NSG GmbH (€ 3,692 thousand; 2013: € 3,692 thousand), CANCOM on line GmbH (€ 3,000 thousand; 2013: € 3,000 thousand), CANCOM physical infrastructure GmbH (€ 150 thousand; 2013: € 150 thousand) and a joint guarantee of € 200 thousand (2013: € 200 thousand) for CANCOM GmbH, CANCOM physical infrastructure GmbH, CANCOM NSG GIS GmbH, CANCOM NSG SCS GmbH, CANCOM NSG ICP GmbH and acentrix GmbH.

CANCOM SE has provided a parent company guarantee on behalf of PIRONET NDH Datacenter AG & Co. KG for a € 4.5 million project for a major client. The company does not currently expect any claim to be made under the guarantee, as the project is progressing well and PIRONET NDH Datacenter AG & Co. KG has a strong financial standing.

	Dec. 31, 2014 €'000	Dec. 31, 2013 €'000
Joint and several liability for financial guarantees and other loans	3,034	2,067

The guarantees, which amount to € 3,034 thousand (2013: € 2,067 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 relevant the principal debtors. CANCOM SE therefore assesses the likelihood of a loss on any of the guarantees listed as remote.

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:
  - Pironet NDH Aktiengesellschaft (since June 13, 2014)
- - AL-KO Kober SE (since June 27, 2014)
- - CANCOM GmbH (since July 11, 2014)

- Rudolf Hotter:
  - Pironet NDH Aktiengesellschaft (since June 13, 2014)
- - 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
- Markus Saller, graduate in business administration (Diplom-Kaufmann), Garmisch-Partenkirchen, Germany

- Thomas Stark is on the supervisory boards of other companies:-
  - AL-KO Kober SE (since June 27, 2014)
- - Imperia AG (since December 9, 2014)

Supervisory Board

The members of the Supervisory Board are:

- Walter von Szczytnicki, management consultant, Kirchseeon, Germany Chairperson (until June 25, 2014)
- Walter Krejci, managing director of AURIGA Corporate Finance GmbH, Munich, Germany Chairperson (since June 25, 2014)
- Stefan Kober, member of the board of management of AL-KO Kober SE, Kötz, Germany Deputy Chairperson (until June 25, 2014)
- Dr. Lothar Koniarski, graduate in business administration (Diplom-Kaufmann), managing director of Dr. Vielberth Verwaltungsgesellschaft mbH, Regensburg, Germany Deputy Chairperson (Deputy Chairperson since June 25, 2014)
- Regina Weinmann, graduate in business administration (Diplom-Kauffrau), managing director of WFO Vermögensverwaltung GmbH, Aystetten, Germany
- Uwe Kemm, independent organizational, sales and marketing consultant (since June 25, 2014)
- Dominik Eberle, online marketing and e-commerce consultant (since June 25, 2014)

Transactions with related parties

In 2013 this item included a profit participating loan (partiarisches Darlehen) of up to € 1,000 thousand to Glanzkinder GmbH. This company is no longer a related party since the sale of the stakeholding.

Employees

The average number of employees working for the company during 2014 was 69. 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 Corporation Act (Aktiengesetz, AktG). It was last renewed in December 2014, 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 2014 amounted to € 2,442 thousand (2013: 1,902 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 2014.

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 compensation report.

The total emoluments of the Supervisory Board in 2014 amounted to € 226 thousand (2013: 234 thousand).

Details of equity interests in CANCOM SE

As at December 31, 2014, 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 January 16, 2014, Allianz Global Investors Luxembourg S.A., Senningerberg, Luxembourg, informed us that its share of the voting rights of CANCOM SE had fallen below the 5 percent threshold on January 15, 2014 and on that day amounted to 4.87 percent (equivalent to 711,270 voting rights). In accordance with Section 22, paragraph 1, sentence 1 number 6 of the German Securities Trading Act (Wertpapierhandelsgesetz, WpHG) 2.14 percent of the voting rights (equivalent to 312,678 voting rights) are attributable to the company.

On February 10, 2014, Ameriprise Financial, Inc., Minneapolis, U.S.A. (Threadneedle Asset Management) informed us that its share of the voting rights of CANCOM SE had exceeded the 3 percent threshold on February 7, 2014 and on that day amounted to 3.02 percent (equivalent to 440,752 voting rights). In accordance with the Section 22, paragraph 1, sentence 1 number 6 and sentence 2 of the German Securities Trading Act, 3.02 percent of the voting rights (equivalent to 440,752 voting rights) are attributable to the company).

On June 26, 2014, Denver Investment Advisors LLC, Denver, U.S.A. informed us that its share of the voting rights of CANCOM SE had exceeded the 3 percent threshold on June 25, 2014 and on that day amounted to 3.06 percent (equivalent to 446,670 voting rights).

On July 7, 2014, Allianz Global Investors Europe GmbH, Frankfurt/Main, Germany, informed us that its share of the voting rights of CANCOM SE had exceeded the 10 percent threshold on July 1, 2014 and on that day amounted to 11.35 percent (equivalent to 1,658,672 voting rights). In accordance with Section 22, paragraph 1, sentence 1 number 6 of the German Securities Trading Act, 9.21 percent (equivalent to 1,346,672 voting rights) are attributable to the company.

On November 28, 2014, Threadneedle Investment Services Limited, London, U.K. informed us that its share of the voting rights of CANCOM SE had exceeded the 3 percent threshold on November 26, 2014 and on that day amounted to 3.06 percent (equivalent to 454,822 voting rights). In accordance with Section 22, paragraph 1, sentence 1 number 6 of the German Securities Trading Act, 3.06 percent (equivalent to 454,822 voting rights) are attributable to the company. The attributed voting rights are held through Threadneedle Investment Funds ICVC, whose share of the voting rights in CANCOM SE amounts to 3 percent or more.

Proposal for the appropriation of net retained profit

The Executive Board has resolved to propose to the Supervisory Board and the general meeting of stockholders that the net retained profit of € 13,296,395.79 for the fiscal year 2014 be used for a dividend payment of € 0.50 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 10, 2015

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.

Munich, Germany, March 10, 2015

Klaus Weinmann   Rudolf Hotter

Executive Board of CANCOM SE

STATEMENT OF STOCKHOLDINGS

Name and registered seat of company	Stockholding as a percentage	Equity capital Dec. 31, 2014 €'000	Net income/loss 2014 €'000
Stockholding of more than 20 percent			
1. CANCOM GmbH, Jettingen-Scheppach, Germany	100.0	32,786	0 *1
2. CANCOM NSG GmbH, Munich, Germany	100.0	3,261	0 *1
3. CANCOM on line GmbH	100.0	8,749	8,026
4. Cancom on line BVBA, Elsene, Belgium	100.0	13	-6
5. CANCOM DIDAS GmbH, Langenfeld, Germany	100.0	6,416	1,079
6. CANCOM physical infrastructure GmbH, Jettingen-Scheppach, Germany	100.0	744	103
7. acentrix GmbH, Jettingen-Scheppach, Germany	51.0 A)	115	-344
8. CANCOM NSG GIS GmbH, Jettingen-Scheppach, Germany	100.0 B)	1,102	353
9. CANCOM NSG SCS GmbH, Munich, Germany	100.0 B)	300	54
10. CANCOM NSG ICP GmbH, Munich, Germany	100.0 B)	722	-108
11. Verioplan GmbH, Munich, Germany	100.0	70	38
12. CANCOM Financial Services GmbH, Jettingen-Scheppach, Germany	100.0	94	0
13. CANCOM VVM GmbH, Jettingen-Scheppach, Germany	100.0	11	0
14. CANCOM Computersysteme GmbH, Graz, Austria	100.0 A)	1,178	-79
15. CANCOM a+d IT solutions GmbH, Perchtoldsdorf, Austria	100.0 C)	1,505	358
16. CANCOM (Switzerland) AG, Caslano, Switzerland	100.0 A)	-2 1)	-2
17. CANCOM, Inc., Palo Alto, USA	100,0	4 2)	-424
18. HPM Incorporated, Plasanton, USA	100.0 D)	18,992 2)	2,254
19. CANCOM LTD, London, UK	100.0	-10 3)	-10
20. Pironet NDH Aktiengesellschaft, Cologne, Germany	78.1	28,547 4)	-4,022
21. PIRONET NDH Datacenter AG & Co. KG, Hamburg, Germany	78.1 E)	3,068 4)	5,154
22. Pironet NDH Enterprise Solutions GmbH, Cologne, Germany	78.1 E)	577	451
23. Imperia AG, Cologne, Germany	78.1 E)	6,554	0 *2
24. PIRONET NDH EDI-Services GmbH, Cologne, Germany	78.1 E)	126	618
25. PIRONET NDH LLC, Atlanta, USA	78.1 E)	0	0
26. PIRONET NDH Beteiligungs GmbH, Cologne, Germany	78.1 E)	26	1
27. indatex Services for Finance and Insurance AG (in liquidation), Starnberg, Germany	31.6 E)	0	0
		114,948	**13,494**

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

1) Conversion at reporting date - CHF 1 = EUR 1.20
2) Conversion at reporting date - USD 1 = EUR 1.22
3) Conversion at reporting date - GBP 1 = EUR 0.78
4) Prior to crediting to the partnership account

*1 Profit transfer agreement with CANCOM SE
*2 Profit transfer agreement with Pironet NDH Aktiengesellschaft

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 2014. 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 of CANCOM SE and the CANCOM Group 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, 10 March 2015

S&P GmbH
Wirtschaftsprüfungsgesellschaft

Ulrich Stauber	Johann Dieminger
Certified auditor	Certified auditor

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CANCOM SE financial calendar

IMPORTANT DATES

Interim report Q1/2015	15 May 2015
Annual General Meeting in Munich, Germany Location: Haus der Bayerischen Wirtschaft Max-Joseph-Straße 5 80333 Munich, Germany	18 June 2015
Interim report Q2/2015	11 August 2015
Interim report Q3/2015	10 November 2015
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	23 - 25 November 2015

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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