2019

ANNUAL REPORT
CANCOM SE

CANCOM

Key figures

CANCOM GROUP

in € million	2019	2018*	Δ
Revenues	1,549.3	1,317.3	+17.6%
Gross profit	443.8	383.5	+15.7%
EBITDA (adjusted)	130.5	113.8	+14.7%
EBITDA margin (adjusted)	8.4%	8.6%	-0.2 Pp
EBITA (adjusted)	96.5	86.9	+11.0%
EBIT (adjusted)	65.7	73.9	-11.1%

	31.12.2019	31.12.2018*	Δ
Balance sheet total	1,205.4	843.3	+42.9%
Equity	577.3	387.7	+48.9%
Equity ratio	47.9%	46.0%	+1.9 Pp
Cash and cash equivalents	364.9	135.2	+169.9%
Employees	3.820	3.403	+12.3%

CLOUD SOLUTIONS

in € million	2019	2018*	Δ
Revenues	300.6	235.5	+27.6%
EBITDA (adjusted)	81.9	63.8	+28.4%
EBITDA margin (adjusted)	27.3%	27.1%	+0.2 Pp
Annual Recurring Revenue	183.9	130.1	+41.3%

IT SOLUTIONS

in € million	2019	2018*	Δ
Revenues	1,248.7	1,081.8	+15.4%
EBITDA (adjusted)	62.7	61.5	+2.0%
EBITDA margin (adjusted)	5.0%	5.7%	-0.7 Pp

*) See the explanations in section A.7.3 of the consolidated financial statements.


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Dear Shareholders,

the foreword to the 2019 Annual Report should ideally – the conditions being what they are – deal with the past year. CANCOM achieved a very dynamic development with a sales growth of 17.6 percent. In the cloud solutions business, which is important for our strategy, we were even able to achieve sales growth of 27.6 percent, and the particularly profitable annual recurring revenues even rose by 41.3 percent. All these successes are unfortunately fading in the face of the current corona crisis.

The global economy is perhaps facing its biggest challenge since the end of the Second World War. Corona protection measures lead to drastic losses in personal freedom, but also in economic activity. Many companies are trying to mitigate the consequences by working from home, for example. CANCOM is also doing this and, fortunately, by using our AHP Enterprise Cloud company-wide, is very well placed to remain able to work and continue to support our customers. We would like to thank our partners and customers for their cooperation in these special times and our employees for their extraordinary commitment and high motivation, which we experience every day.

But CANCOM will certainly also be affected by disruptions in the IT supply chain, and our customers will also be affected by the crisis measures. For this reason, we as the Executive Board have published a cautious forecast for the financial year 2020. But: we continue to assume that CANCOM will continue to grow in 2020, and we also see an opportunity in this crisis! After all, digital forms of working and living together are currently being discussed and used more intensively than ever before. As an IT company, we naturally see this as an opportunity, and it is the management's job to take advantage of any business opportunities that arise - and thereby secure jobs at CANCOM at the same time.

CANCOM is in a very solid financial position. As at 31 December 2019, we had a high level of cash and cash equivalents of around 365 million euros, and have only a very small amount of bank debts. As the Executive Board of the CANCOM Group, we can therefore assure you, our shareholders, that we and our colleagues will do everything possible not only to overcome this crisis, but also to take advantage of any opportunities that may arise.

Stay healthy and thank you very much for your trust.

Your Executive Board of CANCOM SE

Rudolf Hotter	Thomas Stark
CEO	CFO

Report of the Supervisory Board

Dear Shareholders,

In the 2019 financial year, the CANCOM Group once again achieved new historic highs in sales and earnings. On behalf of the entire Supervisory Board, and thus as the representative of the shareholders of CANCOM SE, I would like to congratulate the Executive Board and all employees of the CANCOM Group on this outstanding achievement. At the same time, the Supervisory Board would like to thank all involved for their good cooperation, which is characterized by openness. On the basis of this very good economic development, the Supervisory Board believes that the CANCOM Group and its parent company CANCOM SE are well prepared for the planned further growth in the coming financial year and the challenges of economic competition in the IT industry. Based on the economic results in the 2019 financial year, the Executive Board and the Supervisory Board of CANCOM SE have decided to propose to the Annual General Meeting that a dividend be paid again this year.

In the 2019 financial year, the Supervisory Board performed the tasks and duties incumbent on it under the law, the Articles of Association and the Rules of Procedure. It advised the Management Board on the management of the company and both accompanied and monitored the management and development of the company. As part of the close cooperation, the Management Board reported to the Supervisory Board regularly, promptly and comprehensively in writing, by telephone and in personal discussions about the situation and prospects, the principles of business policy, the profitability of the company and the key business transactions of the company. Outside the scheduled meetings, the Chairman of the Management Board in particular also maintained personal contact with the members of the Supervisory Board and primarily with the Chairman of the Supervisory Board. In addition, the entire Supervisory Board was kept informed by the Management Board on an ongoing basis about relevant developments and transactions requiring approval. The Supervisory Board was directly and promptly involved in all decisions of fundamental importance to the company or in which it was required to be involved by law, the Articles of Association or the Rules of Procedure. In urgent cases, the Supervisory Board had the option of passing resolutions by written circulation procedure if required. Thanks to the regular, prompt and detailed information provided by the Executive Board, the Supervisory Board was always able to fulfil its monitoring and advisory function. The Supervisory Board is therefore of the opinion that the Executive Board acted lawfully, properly and economically in every respect.

A. Meetings and main topics

As an IT company, CANCOM is constantly faced with major challenges due to rapid innovation cycles in the industry and a strong international competitive environment. At the same time, however, this and the increasing importance of IT systems for large parts of the economy as a whole also offer a wide range of opportunities for the development of the company. Throughout the 2019 financial year, these challenges and opportunities were therefore the subject of regular and intensive exchanges of views between the Executive Board and the Supervisory Board on market developments and the development of individual business segments, as well as talks and discussions on the strategic direction and on the appropriate organizational structure to meet the CANCOM Group's ambitious growth.

In the year under review, the Supervisory Board held nine meetings, namely on January 25, 2019, March 19, 2019, April 29, 2019, June 11, 2019, June 26, 2019, September 11, 2019, October 11, 2019, October 29, 2019 and December 11, 2019. The meetings on January 25, 2019, April 29, 2019, June 11, 2019, October 11, 2019 and October 29, 2019 were extraordinary meetings held by telephone. In addition, four resolutions were passed without a formal meeting by circulation procedure or by telephone with resolutions being passed on February 19, 2019, June 14, 2019, December 3, 2019 and December 4, 2019.

All members of the Supervisory Board in office at the respective time participated in all Supervisory Board meetings, committee meetings (according to their respective membership) and resolutions. The only exception is the meeting on October 10, 2019, at which the Supervisory Board members Prof. Welpe and Mrs. Weinmann had given advance notice of their absence and did not attend. In accordance with the recommendation of the German Corporate Governance Code (version dated December 16, 2019) to hold Supervisory Board meetings without the presence of the Executive Board, the Supervisory Board informs that the meeting on October 29, 2019 took place without the participation of the Executive Board.

In the ordinary meetings on March 19, 2019, June 26, 2019, September 11, 2019 and December 11, 2019, the Supervisory Board received and discussed in detail the reports of the Management Board pursuant to Section 90 (1) Sentence 1 No. 1-3 of the German Stock Corporation Act (AktG) on the intended business policy, profitability and the course of business, including the market and competitive situation. In addition, the Management Board reported in accordance with § 90 (1) sentence 1 no. 4 – also in extraordinary meetings – on transactions that could be of considerable importance for the profitability or liquidity of the Company and/or the Group, in particular on planned acquisitions and divestments.

The following significant issues and resolutions arising from the activities of the Supervisory Board in the 2019 financial year should be mentioned:

- In the telephone meeting of the Supervisory Board on January 25, 2019, the Supervisory Board dealt with the replacement of the vacant position on the Supervisory Board and decided to obtain the court appointment of Stefan Kober. By way of a circular resolution adopted on February 19, 2019, Mr. Kober was also appointed to the Audit Committee by the court of registration following his appointment to the Supervisory Board.

- At the Supervisory Board meeting on March 19, 2019, the auditor's report on the 2018 annual financial statements of CANCOM SE and the CANCOM Group was received. After detailed discussion, the Supervisory Board approved the annual financial statements and consolidated financial statements, together with the combined management report of CANCOM SE and the Group. The annual financial statements were thus adopted. The Supervisory Board also dealt with the Report of the Supervisory Board and the Corporate Governance Report for the 2018 fiscal year.

- In the Supervisory Board meeting held by telephone on April 29, 2019, the Supervisory Board approved the non-financial Group report for CANCOM SE prepared by the Executive Board and the new schedule of responsibilities of the Executive Board.

- In the Supervisory Board meeting held by telephone on June 11, 2019, the Supervisory Board dealt with the replacement of the Supervisory Board members at the Annual General Meeting due to the resignation of the candidatures of Mr. Kemm and Mrs. Terock. The Supervisory Board decided to follow the recommendation of Mrs. Terock and to support the candidatures of Prof. Dr. Welpe and Mr. Holdenried and to recommend the two candidates to the Annual General Meeting for election.

- In the constituent meeting on June 26, 2019 following the Annual General Meeting, the appointments to positions within the Supervisory Board and in the Audit and Nomination Committee were redefined.

- In its meeting on September 11, 2019, the Supervisory Board approved the procedure planned by the Management Board for the sale and lease back of the property in Jettingen-Scheppach.

- In the Supervisory Board meeting held by telephone on October 11, 2019, the Supervisory Board approved, after detailed information and discussion, the indirect acquisition of up to 100 percent of Novosco Group Ltd (including all subsidiaries) as well as a participation of Novosco management in the holding company.

- The telephone meeting of the Supervisory Board on October 29, 2019 focused on the allocation of responsibilities in the Executive Board and the strategic expansion of the Board in view of the future growth and transformation process of the CANCOM Group.

- The resolutions passed by telephone on December 3 and 4, 2019 related to the approval of a cash capital increase from authorized capital excluding shareholders' subscription rights and the details thereof, as well as the corresponding amendment to the Articles of Association.

- At the Supervisory Board meeting on December 11, 2019, the business plans for 2020 were presented by the Management Board and approved by the Supervisory Board. The recommendations of the German Corporate Governance Code (DCGK) were discussed in detail with regard to their applicability to CANCOM SE. As a further item on the agenda, the Supervisory Board reviewed the efficiency of its activities in accordance with the recommendations of the GCGC, found no objections, and then adopted the declaration of compliance with the GCGC. In addition, Mr. Hotter was appointed for a further term of office as a member of the Executive Board of CANCOM SE due to the regular expiry of his Executive Board contract. In the course of standardizing the remuneration of the Executive Board, the contracts of Mr. Volk and Mr. Stark were also amended at this meeting.

B. Composition of the Management Board and Supervisory Board

There were no personnel changes in the Executive Board of CANCOM SE during the reporting year. The Executive Board of CANCOM SE continued to consist of Thomas Volk as Chairman and Rudolf Hotter and Thomas Stark as members of the Executive Board. However, there was a change after the end of the reporting period, as Mr. Volk left the Company's Executive Board prematurely on January 31, 2020. Mr. Hotter took over the role of Chairman of the Executive Board of CANCOM SE on February 1, 2020.

were members of the Supervisory Board of CANCOM SE in the reporting year: Dr Lothar Koniarski, Uwe Kemm (until 26 June 2019), Regina Weinmann (until 31 December 2019), Martin Wild, Marlies Terock (until 26 June 2019), Stefan Kober (from 11 February 2019), Prof. Dr Isabell Welpe (from 26 June 2019) and Hans-Ulrich Holdenried (from 26 June 2019). The Chairman and Deputy Chairman of the Supervisory Board were: Dr. Lothar Koniarski (Chairman), Uwe Kemm (Deputy Chairman until June 26, 2019) and Stefan Kober (Deputy Chairman from June 26, 2019). The Supervisory Board of CANCOM SE has members with expertise in the fields of accounting or auditing in accordance with section 100 (5) 1st half sentence of the AktG.

Mrs. Weinmann resigned from office on November 29, 2019 in compliance with the period of notice stipulated in the Articles of Association. As of December 31, 2019, the Supervisory Board thus consisted of five members. In addition, after the end of the reporting period, Mr. Hans-Ulrich Holdenried resigned from office on January 8, 2020, observing the deadline of February 5, 2020 specified in the Articles of Association. Since that date, the Supervisory Board has thus consisted of four members until the vacant positions are filled again.

C. Composition and work of the committees

The Supervisory Board has formed two committees to perform its duties. In the year under review, the Audit Committee comprised the Supervisory Board members Dr. Lothar Koniarski, Uwe Kemm (until June 26, 2019), Hans-Ulrich Holdenried (from June 26, 2019) and Stefan Kober (from February 19, 2019). The Chairman and Deputy Chairman of the Audit Committee of the Supervisory Board were: Uwe Kemm and Hans-Ulrich Holdenried (Chairman), Dr. Lothar Koniarski (Deputy Chairman). The Audit Committee as a whole had relevant industry knowledge at all times.

The Audit Committee met on March 19, 2019, and December 11, 2019, with all committee members present. The subject of the meeting in March, which was attended by the auditor and, among others, the Chief Financial Officer, was the review of the financial statements and the combined management report for the 2018 financial year. In addition, the Audit Committee made two proposals to the full Supervisory Board, including a clear recommendation, regarding the proposal to the Annual General Meeting on the auditor for 2019. At its meeting on December 11, 2019, the committee dealt primarily with the topic of governance and risk & compliance, addressing, among other things, the Company's risk management system, the effectiveness, resources and findings of the internal audit function, and compliance with integrity in financial reporting.

In the year under review, the Nomination Committee comprised the Supervisory Board members Dr. Lothar Koniarski, Regina Weinmann (until December 31, 2019), Uwe Kemm (until June 26, 2019) and Martin Wild (from June 26, 2019). The Chairman and Deputy Chairman of the Nomination Committee of the Supervisory Board were: Dr. Lothar Koniarski (Chairman), Uwe Kemm (Deputy Chairman, until June 26, 2019) and Regina Weinmann (Deputy Chairman, from June 26, 2019 until December 31, 2019).

The Nomination Committee dealt intensively with the composition of the Supervisory Board. In the past fiscal year, it held a meeting on March 19, 2019, in the presence of all committee members, and discussed the procedure for replacing members of the Supervisory Board at the 2019 Annual General Meeting. In view of the professional and personal suitability of the individual members, the Nomination Committee decided to retain the composition of the Supervisory Board at that time.

D. Corporate Governance and Declaration of Compliance

The work of the Supervisory Board is based on the provisions of the German Stock Corporation Act and the recommendations of the German Corporate Governance Code. Thus, at the Supervisory Board meeting on December 11, 2019, the Supervisory Board dealt with the applicable recommendations of the Code in the version dated February 7, 2017, and reviewed the extent to which these recommendations have been and will be complied with. CANCOM has declared that it complied with the Code's recommendations in the past financial year without exception. A detailed presentation of the Company's corporate governance can be found in the Corporate Governance Report in this Annual Report.

E. Annual and consolidated financial statements

The financial statements prepared by the Executive Board and the combined management report for CANCOM SE and the Group, each for the 2019 fiscal year, were audited by KPMG AG Wirtschaftsprüfungsgesellschaft, Augsburg, appointed by the Annual General Meeting, under the direction of the auditor and tax advisor Hans Querfurth, Partner, as the auditor responsible for the audit. KPMG AG Wirtschaftsprüfungsgesellschaft, Augsburg, conducted the audit of CANCOM's financial statements for the first time for the financial year 2019. The annual financial statements of CANCOM SE and the combined management report for CANCOM SE and the CANCOM Group were prepared in accordance with German statutory accounting regulations. The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), as applicable in the European Union, and in accordance with the additional German legal provisions applicable under Section 315a (1) of the German Commercial Code (HGB). The auditors conducted the audit in accordance with Section 317 of the German Commercial Code (HGB) and the EU Regulation (EU) No. 537/2014), taking into account the generally accepted German auditing standards established by the German Institute of Auditors (IDW), and issued an unqualified audit opinion in each case.

The Audit Committee of the Supervisory Board held one meeting each on April 23, 2020 and April 30, 2020. The Supervisory Board also held one meeting on April 30, 2020. The auditor attended the meetings of the Audit Committee on April 23, 2020 and April 30, 2020, as well as the Supervisory Board's discussions on the annual and consolidated financial statements and the Supervisory Board meeting to approve the financial statements, also on April 30, 2020.

At its meeting, the Audit Committee dealt with the financial statements and the combined management report for CANCOM SE and the CANCOM Group, focusing in particular on the key audit matters described in the respective audit opinion. The Audit Committee also examined the proposal of the Executive Board on the appropriation of the balance sheet profit and the payment of a dividend of EUR 0.50 per share. The Audit Committee also made a recommendation to the Supervisory Board regarding the Supervisory Board's proposal to the Annual General Meeting for the election of the auditor for the 2020 financial year.

At the meeting of the Audit Committee on April 23, 2020 and the meeting of the Supervisory Board on April 27, 2020, the auditor reported on the course and main results of its audits and was available to answer questions, discuss them and provide additional information. After a detailed discussion of the audit reports, the financial statements and the combined management report, the Supervisory Board approved the results of the audit. No objections were raised following the final results of the examination by the Audit Committee and its own examination. It therefore approved the annual financial statements of CANCOM SE prepared by the Executive Board, the consolidated financial statements and the combined management report of CANCOM SE and the CANCOM Group for the 2019 financial year. The annual financial statements are thus adopted. The Executive Board's proposal for the appropriation of profits was approved.

Dear shareholders, the CANCOM Group is well positioned for the future. The Supervisory Board would like to thank the members of the Executive Board, the management and all the employees for their great commitment, which has made a significant contribution to CANCOM's successful development, and for which a positive development can also be expected in the future. We would also like to thank you, our shareholders, for your confidence in us.

Munich, April 2020

For the Supervisory Board

Dr. Lothar Koniarski
(Chairman of the Supervisory Board)

Corporate Governance Report

Corporate Governance Report

The Executive Board and Supervisory Board report on corporate governance at CANCOM in accordance with section 3.10 of the German Corporate Governance Code (GCGC) in the current version dated February 7, 2017. The Corporate Governance Report also includes the remuneration report as part of the management report.

I. Corporate Governance at a glance

1. Implementation of the German Corporate Governance Code and declaration of compliance

The task of good and responsible corporate management and control is to ensure the continued existence of the company, its sustainable development and value creation. During the year under review, the Executive Board and Supervisory Board of CANCOM SE again dealt intensively with the applicable provisions of the GCGC. At the Supervisory Board meeting on December 11, 2019, the Executive Board and Supervisory Board issued a joint declaration of compliance with the recommendations of the GCGC pursuant to section 161(1) of the AktG, which was published immediately. It is permanently available to the public on the company's website.

The declaration of conformity dated December 11, 2019 has the following content:

The Executive Board and Supervisory Board of CANCOM SE declare in accordance with section 161 of the German Stock Corporation Act (Aktiengesetz) that since last year's declaration of conformity of December 11, 2018, the recommendations of the German Corporate Governance Code in the version of February 7, 2017, published in the Federal Gazette on April 24, 2017 (corrected on May 19, 2017), have been complied with without exception and will be complied with in the future.

2. Basic principles of corporate governance

2.1 Shareholders and Annual General Meeting

The Annual General Meeting is the central decision-making body at which CANCOM SE shareholders can exercise their rights and exercise their voting rights. In recent years, numerous shareholders have attended the Annual General Meeting, which was held in Munich on June 26 in the 2019 financial year.

CANCOM SE has only ordinary bearer shares in circulation. All shares have the same voting rights. In accordance with the Articles of Association, each no-par value share grants one vote. In the cases expressly determined by law and the Articles of Association, the Annual General Meeting decides on the appropriation of profits, in particular on the discharge of the Executive Board and the Supervisory Board and the appointment of the members of the Supervisory Board, and elects the auditor. In addition, in accordance with the German Stock Corporation Act, the Annual General Meeting decides on the object of the company, on amendments to the Articles of Association, on measures for capital procurement and capital reduction, and on the authorization to acquire own shares.

At the Annual General Meeting, our shareholders have the opportunity to exercise their voting rights themselves or to authorize a proxy of their choice, for example the Company's proxy bound by instructions, to exercise their voting rights. As in previous years, shareholders will be able to take advantage of this offer at the forthcoming Annual General Meeting on June 30, 2020 in Munich. The agenda, including the necessary reports and documents for the Annual General Meeting, will be made available to shareholders on the Company's website in due course. The Articles of Association of CANCOM SE do not provide for a postal vote.

2.2 Cooperation between the Management Board and the Supervisory Board

Good corporate governance requires open communication. The Executive Board and Supervisory Board work closely together in the interests of the company. The intensive and continuous dialogue between the two bodies forms the basis for efficient corporate management at CANCOM SE. The Supervisory Board supports the Executive Board in an advisory capacity and is involved in all important corporate decisions. The Executive Board informs the Supervisory Board regularly, promptly and comprehensively about all issues of strategy, planning, business development, potential risks and opportunities for the Company's development, risk management and compliance that are relevant to the Company. The information and reporting obligations are explained in more detail in the rules of procedure for the Management Board. For example, the Management Board discusses financial reports during the year with the Supervisory Board prior to publication. Documents required for decisions are sent to the members of the Supervisory Board as early as possible before the meeting. The Company's Articles of Association and the Rules of Procedure for the Management Board require the approval of the Supervisory Board for certain material transactions.

2.2.1 Management Board

There were no personnel changes in the Executive Board of CANCOM SE during the reporting year. The Executive Board of CANCOM SE consisted of three members in fiscal year 2019: Thomas Volk (Chairman of the Executive Board/CEO), Rudolf Hotter (Member of the Executive Board/COO) and Thomas Stark (Member of the Executive Board/CFO, responsible for environmental, social and governance issues – Environment, Social, Governance (ESG)). The current terms of office are as follows: Rudolf Hotter until December 31, 2024, Thomas Stark until December 31, 2024. Thomas Volk's mandate on the Management Board ended on January 31, 2020. An age limit of 65 years is envisaged for the members of the Management Board.

The work of the Executive Board is geared to the interests of the Company and its stakeholders, with a view to achieving a sustainable increase in enterprise value. The members of the Executive Board are jointly responsible for the overall management of the company. In addition to the allocation of responsibilities, the rules of procedure for the Executive Board also regulate cooperation within the Executive Board, majority requirements for resolutions and cooperation with the Supervisory Board. In accordance with section 4.1.5 of the GCGC, the Executive Board strives to ensure that women are given appropriate consideration when filling management positions at CANCOM SE. In accordance with its obligations under section 76(4) of the German Stock Corporation Act, the Executive Board has set targets for the proportion of women in the first and second management levels below the Executive Board.

The special competence, qualification and suitability are decisive criteria for the appointment of Management Board members. The diversity in the composition of the Management Board is reflected in particular by the different professional careers and areas of activity as well as the individual experience horizons of its members. In accordance with the obligation in Section 111 (5) AktG, the Supervisory Board has set target figures for the proportion of women on the Executive Board.

2.2.2 Supervisory Board

The Supervisory Board of CANCOM SE appoints and dismisses the members of the Executive Board. It monitors and advises the Executive Board in the management of the Company's business. In accordance with the articles of association of CANCOM SE, it consists of six members who are elected by the Annual General Meeting for a maximum term of six years up to an age limit of 70 years in accordance with the articles of association or the objectives set by the Supervisory Board for its composition. When electing individual or all of the Supervisory Board members to be elected by the Annual General Meeting, the latter may specify a shorter term of office. In accordance with the agreement between the Company and the special negotiating body on co-determination in CANCOM SE, there are no employee representatives on the Supervisory Board.

As of the balance sheet date on 31 December 2019, the Supervisory Board consisted of the following members: Dr. Lothar Koniarski (Chairman), Stefan Kober (Deputy Chairman), Regina Weinmann, Prof. Dr. Isabell Welpe, Martin Wild and Hans-Ulrich Holdenried, who each contribute their proven professional expertise to the benefit of the Company.

The members of the Supervisory Board, namely Dr. Lothar Koniarski, Stefan Kober, Regina Weinmann, Prof. Dr. Isabell Welpe, Martin Wild and Hans-Ulrich Holdenried, were each elected by the Annual General Meeting on June 25, 2019 for the period until the end of the Annual General Meeting which resolves on the ratification of the actions of the Supervisory Board for the 2023 financial year. After the balance sheet date, Supervisory Board members Regina Weinmann (as of December 31, 2019) and Hans-Ulrich Holdenried (as of February 5, 2020) left the Board. In Hans-Ulrich Holdenried, among others, CANCOM SE had a member of the Supervisory Board in 2019 with expertise in the fields of accounting or auditing in accordance with section 100(5) of the AktG.

The Supervisory Board has established rules of procedure for its work. In particular, these govern the cooperation within the Supervisory Board. The Supervisory Board endeavors to perform its duties with the greatest possible care. For this reason, an efficiency review of its activities is carried out once a year, including in the 2019 financial year, which concluded that the Supervisory Board works efficiently.

The Supervisory Board has formed two committees to perform its duties, an Audit Committee and a Nomination Committee. Their tasks, responsibilities and work processes are in accordance with the requirements of the German Stock Corporation Act and the GCGC. The committee chairmen report regularly to the Supervisory Board on the work of the respective committees.

The Audit Committee comprised the Supervisory Board members Hans-Ulrich Holdenried (Chairman), Dr. Lothar Koniarski (Deputy Chairman) and Stefan Kober as of the balance sheet date. The Chairman Hans-Ulrich Holdenried has special knowledge and experience in the application of accounting principles and internal control procedures within the meaning of Section 5.3.2 of the German Corporate Governance Code. The Audit Committee deals in particular with the monitoring of the accounting process, the effectiveness of the internal control system and the internal audit system, the audit of the financial statements, in particular the independence of the auditor, the additional services provided by the auditor, the issuing of the audit mandate to the auditor, the determination of focal points of the audit and the fee agreement as well as compliance. After the end of the reporting period, the Audit Committee was newly appointed following the departure of Hans-Ulrich Holdenried from the Supervisory Board on February 5, 2010. The new committee chairman is Stefan Kober, the new member is Prof. Dr. Isabell Welpe.

As of the balance sheet date, the Nomination Committee comprised the Supervisory Board members Dr. Lothar Koniarski (Chairman), Regina Weinmann (Deputy Chairman) and Martin Wild. The Nomination Committee proposes suitable candidates to the Supervisory Board for its election proposals to the Annual General Meeting. In the future as well, the nominations shall be primarily oriented towards the welfare of the company, taking into account the objectives set by the Supervisory Board with regard to its composition. Care must be taken to ensure an appropriate participation of men and women in accordance with the legal requirements regarding gender quotas.

After the end of the reporting period, the Nomination Committee was reappointed following the departure of Regina Weinmann from the Supervisory Board on 31 December 2019. The new member and new Deputy Chairman is Stefan Kober.

In accordance with Section 5.4.1 (2) of the German Corporate Governance Code, the Supervisory Board has specified concrete objectives with regard to its composition and drawn up a competence profile for the entire body. With regard to its composition, it should take appropriate account of the international activities of the company, potential conflicts of interest, the number of independent members of the Supervisory Board within the meaning of Section 5.4.2 GCGC, an age limit to be specified for Supervisory Board members and a rule limit to be specified for the length of service on the Supervisory Board as well as diversity within the context of the company-specific situation.

In accordance with the Code, the members of the Supervisory Board as a whole must have the knowledge, skills and professional experience required to properly perform their duties. The individual knowledge, skills and experience of the individual members of the Supervisory Board can and should complement each other, thus ensuring proper and qualified supervision of the Executive Board as a whole and its advisory support.

Specifically, the Supervisory Board aims to achieve the following objectives in its composition, taking into account the following requirements:

Overall, the Supervisory Board should have the competencies that are considered essential in view of the CANCOM Group's activities. These include in particular experience and knowledge:

- in the management of a large or medium-sized, internationally active company;
- in the fields of marketing, sales, human resources and digitization;
- in the main markets in which CANCOM operates;
- in accounting and controlling;
- in the areas of governance, risk and compliance.

The international activities of the company should be taken into account appropriately. In future election proposals to the Annual General Meeting, the Supervisory Board will also endeavor to consider candidates who, due to their origin, education or professional background, have special international knowledge and experience with regard to the sales area of the company.

As a matter of principle, no member of the Supervisory Board should hold a directorship or advisory position with a major competitor of the company, unless this is exceptionally in the company's interest. The Supervisory Board endeavors to avoid potential conflicts of interest, including in future election proposals to the Annual General Meeting. If, however, any specific or permanent conflicts of interest should arise during the term of office of a Supervisory Board member, the recommendations of the GCGC will be taken into account in their handling.

In the opinion of the Supervisory Board, at least half of its statutory members should be independent within the meaning of No. 5.4.2 DCGK. In particular, a member of the Supervisory Board is no longer considered independent within the meaning of the aforementioned Codex figures if he or she has a personal or business relationship with the company, its executive bodies, a controlling shareholder or a company affiliated with the latter that could give rise to a material and not merely temporary conflict of interest. In the current Supervisory Board, all members are independent Supervisory Board members within the meaning of Section 5.4.2 of the GCGC.

By setting an age limit for Supervisory Board members, only candidates who are not older than 70 years of age at the time of election shall be proposed for election to the Supervisory Board of CANCOM SE.

In principle, the Supervisory Board shares the view that the Supervisory Board should ensure that the composition of the body is as appropriate as possible and that a balanced mix of the various expert opinions is achieved. At the same time, the Supervisory Board is of the opinion that the competence and performance of Supervisory Board members should not be determined in all cases on the basis of the rule limit to be defined for the duration of membership of the Supervisory Board and that in special cases the expertise of individuals who are experienced as a result of their length of service on the Supervisory Board and who are in particular familiar with the circumstances of the industry and the Company should also be available to the Company.

Having said this, the Supervisory Board sets a rule limit of 20 years of membership in the Supervisory Board.

Diversity in the composition of the Supervisory Board should be reflected in particular by the different professional careers and areas of activity as well as the different experience horizons of its members.

With regard to the proportion of women on the Supervisory Board, reference is made to the statutory definition of target figures.

The composition of the Supervisory Board in the 2019 financial year was in line with the aforementioned objectives.

The Supervisory Board's nominations for the election of Supervisory Board members shall continue to be based on the welfare of the Company, taking these objectives into account. The Supervisory Board is of the opinion that this can be achieved first and foremost if, when filling positions, emphasis is placed on the special competence and qualifications of the candidates.

2.3 Conflicts of interest

The members of the Management Board and Supervisory Board are committed to the interests of the company. In making decisions within the scope of their activities, they may neither pursue personal interests nor take advantage of business opportunities to which the company is entitled.

In accordance with the recommendation in section 4.3.3 sentence 4 DCGK, the Management Board and Supervisory Board have agreed to the approval of the Supervisory Board on significant transactions with persons or companies related to a member of the Management Board.

In accordance with the rules of procedure for the Supervisory Board, the members of the Supervisory Board are required to disclose any conflicts of interest without delay. In its report to the Annual General Meeting, the Supervisory Board provides information on any conflicts of interest that may arise, for example, as a result of an advisory or board function at customers, suppliers, lenders or other third parties, and how these are dealt with.

There were no conflicts of interest for members of the Management Board or Supervisory Board in the past fiscal year. Detailed information on existing mandates of the members of the executive bodies in supervisory boards or similar supervisory bodies of other companies can be found in the Notes.

2.4 Transparency

CANCOM SE publishes all information and company announcements relevant to the capital markets promptly and regularly on the Company's website. Ad-hoc announcements and corporate news are distributed simultaneously in German and English via a widely distributed network.

Four times a financial year, CANCOM SE reports to its shareholders by means of quarterly notifications or financial reports on the development of the Company and the Group's financial position, results of operations, net assets and liquidity. CANCOM SE also provides regular and detailed information at the Annual General Meeting, as well as at investor conferences and roadshows.

A financial calendar published on the company's website provides shareholders with information on key dates of publications and investor relations events.

2.5 Accounting and auditing

CANCOM prepares the consolidated financial statements and the interim reports in accordance with the applicable rules of the International Financial Reporting Standards (IFRS), as applicable in the EU, and the annual financial statements of CANCOM SE in accordance with the provisions of the German Commercial Code (HGB).

The Annual General Meeting on June 26, 2019, appointed KPMG AG Wirtschaftsprüfungsgesellschaft, Augsburg, as the auditors for the 2019 fiscal year. The Supervisory Board of CANCOM SE, its Audit Committee and the auditor work closely together, which promotes the exchange of information and improves the quality of the audit. Before submitting the proposal for election to the Annual General Meeting, the Supervisory Board obtained a written declaration of independence from the auditor.

The auditor reported to the Supervisory Board on the course and main results of its audit and was available to answer questions, discuss them and provide additional information. The auditor participated in the Supervisory Board's deliberations on the annual and consolidated financial statements and the Audit Committee meetings on April 23, 2020 and April 30, 2020, as well as the Supervisory Board meeting to approve the financial statements, also on April 30, 2020.

3. Compliance management

Within the framework of corporate governance, compliance management is an important element in ensuring that the company's activities conform to statutory and voluntary regulations. The central component of compliance management is a functioning Compliance Management System (CMS). This includes all measures and processes that serve to pursue the above-mentioned objectives. The essential, necessary elements of an adequate CMS are in place and are practised in the CANCOM Group; it is being continuously developed to meet needs. Particularly in view of the changes to the Code resolved on February 7, 2017, it can be stated with regard to section 4.1.3 sentence 3 that a whistleblower system has been implemented. This enables all employees of the CANCOM Group to contact each other anonymously and to send information about potential compliance violations within the CANCOM Group.

CANCOM has been a member of the UN Global Compact since December 2015. This initiative, launched by the United Nations to promote sustainable and responsible corporate governance, is based on ten universal principles. Through its membership, the CANCOM Group undertakes to actively support these ten principles in the areas of human rights, labor standards, environmental protection and anti-corruption, and to promote them within its sphere of influence. This also includes CANCOM's consistent pursuit of anchoring these principles in its corporate strategy, corporate culture and day-to-day business.

3.1 Business Code of Conduct

CANCOM is aware not only of its economic but also its social responsibility. To underline this attitude, CANCOM has adopted a code of conduct which defines how it deals with the Company's various stakeholder groups. As a result of the establishment of a compliance system, for example, all CANCOM employees have been and are being made aware of the code of conduct and trained in e-learning measures. "The Code reflects the Executive Board's aim of strengthening ethical standards throughout the Company and creating a working environment based on integrity, respect and fairness", states the preamble to the Code of Conduct. Under the motto "Fair is fair", employees at all hierarchical levels are encouraged to comply with legal requirements and internal guidelines and to live up to the company's high moral and qualitative standards. In addition, compliance regulations and auditing procedures are regularly communicated to employees as a form of prevention. A compliance officer has been appointed who, on the one hand, ensures that the Code of Conduct is observed and, on the other hand, is the contact person for all compliance-related issues and questions. The Code of Conduct is freely accessible to all CANCOM employees via the Intranet. In the event of obvious or suspected disregard, those affected should contact the Compliance Officer. CANCOM expressly appreciates and encourages open and objective feedback.

3.2. Risk management and 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 elements of the internal control and risk management system are designed to identify and manage the main business risks at an early stage. However, they cannot avoid risks in principle and therefore do not offer absolute protection against losses or fraudulent actions.

3.3. Internal audit

As the central function of internal corporate monitoring, CANCOM SE's Internal Audit assesses the effectiveness of risk management, internal controls and compliance management and helps to improve them continuously. In each case, the CANCOM Executive Board defines the issues to be analysed in greater detail in the interests of the Company and regularly informs the Supervisory Board of the issues and results.

II. REMUNERATION REPORT

The remuneration report presents the components of the remuneration for the members of the Management Board and explains the structure and amount of the income of the Management Board and the remuneration of the Supervisory Board. The report is based on the recommendations of the German Corporate Governance Code and contains information in accordance with the requirements of the German Commercial Code (HGB) and the International Financial Reporting Standards (IFRS). The compensation report is part of the combined management report for the Group and can be found on pages 31 to 38 of this Annual Report.

III. CORPORATE GOVERNANCE STATEMENT

The declaration on corporate governance in accordance with Section 289f HGB is published on the company's website. It describes the principles of entrepreneurial action and contains, among other things, a description of the working methods of the Management Board and Supervisory Board as well as the composition and working methods of their committees, the declaration of conformity in accordance with section 161 of the German Stock Corporation Act (AktG), relevant information on significant corporate governance practices as well as the stipulations in accordance with section 76 (4) AktG and section 111 (5) AktG and information in accordance with section 289f (2) sub-section 6 of the German Commercial Code (HGB), including information on whether the defined targets were achieved during the reference period.

Munich, April 2020

CANCOM SE

On behalf of the Management Board	For the Supervisory Board
Rudolf Hotter	Dr. Lothar Koniarski

CANCOM on the capital market

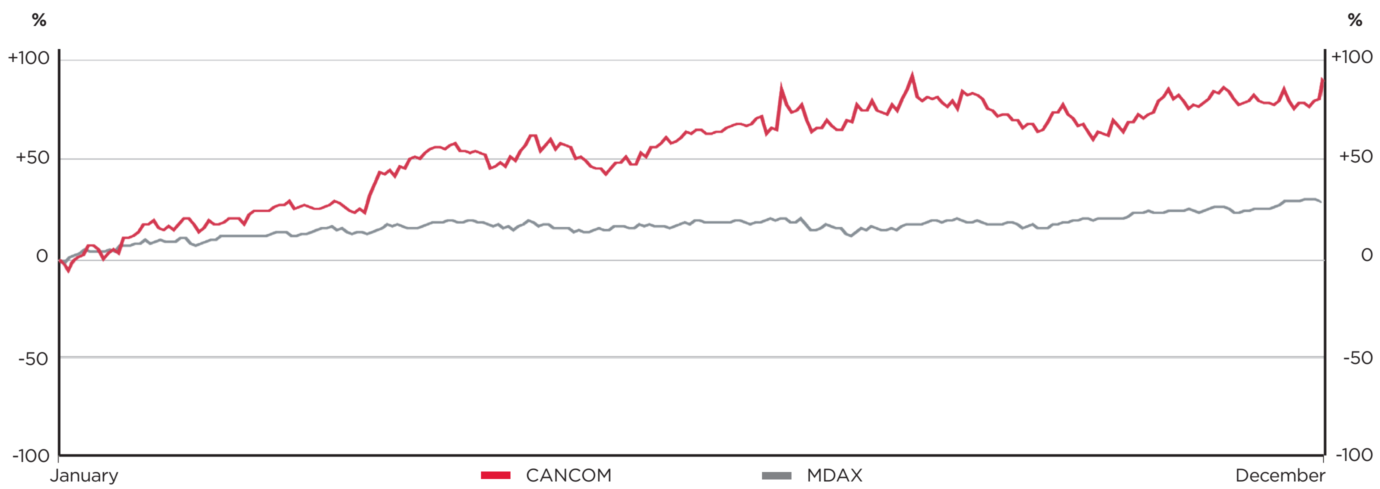
Development of the German stock market

Over the course of 2019, the DAX, Germany's leading index, rose steadily, with the exception of a brief phase of consolidation in the summer. Starting from its low for the year in January, the index reached its high for the year on a closing price basis in December 2019 at around 13,408 points, which was only slightly below the previous all-time high. Overall, the DAX rose by around 28 percent in 2019.
The MDAX, in which CANCOM SE shares are also listed, was even more dynamic in 2019, rising by around 31 percent over the course of the year.

Development of the CANCOM share

The CANCOM share started the 2019 stock market year with an opening XETRA price of EUR 28.40. After a clear upward trend in the share price had already begun in January and continued throughout the first half of the year, the CANCOM share reached its high for the year of EUR 55.90 in September. This was a new all-time high at that time. The share closed the 2019 stock market year at an XETRA closing price of EUR 52.60. This represents an increase of about 85 percent over the year.

ANNUAL DEVELOPMENT CANCOM SHARE



SHAREHOLDER STRUCTURE

The Capital Group Companies	5.1 %
Allianz Global Investors	5.0 %
State of Norway	4.8 %
BNP Paribas	4.5 %
BlackRock	3.3 %
Free float	77.3 %

Information according to available voting right notifications as of 31.12.2019

MASTER DATA AND INDEXES

ISIN / WKN	EN0005419105 / 541910
Stock exchange segment	Frankfurt Stock Exchange, Prime Standard
Index membership	TecDAX, MDAX
Designated sponsor	Kepler Cheuvreux

RESEARCH COVERAGE

Bankhaus Lampe
Berenberg
Commerzbank
DZ Bank (since March 11, 2020)
Hauck & Aufhäuser
Jeffries (since April 2, 2020)
Kepler Cheuvreux
MainFirst
Warburg

KEY FIGURES AND TRADING DATA OF THE CANCOM SHARE

		2019	2018
First price of the year (XETRA)	€	28.40	35.00
Closing price at year end (XETRA)	€	52.60	28.66
Highest closing price (7 May 2018)	€	55.90	52.40
Lowest closing price (27 December 2018)	€	27.40	28.28
Yearly performance	%	+85.21	-18.11
Market capitalization (as of 31 December)	€ million	2,027.6	1,004.4
Average turnover per trading day (XETRA)	piece	142,869	169,404
Average turnover per trading day (XETRA)	€	6,636,582	6,969,849
Earnings per share from continuing operations (basic)	€	0.99	1.20
Issued shares as of 31 December	piece	38,548,001	35,043,638

Dividend

CANCOM SE's dividend policy is designed to support the Group's growth strategy, which is the primary objective of the Executive Board. The Executive Board sees promising growth opportunities in the IT environment, among other things due to the megatrend of digitization, and therefore prefers to use future profits primarily to finance growth and further development of the business. This should be done in the interest of a long-term increase in the value of the company and thus also in the interest of the shareholders. For the 2019 fiscal year, the Management Board and Supervisory Board will propose a dividend of EUR 0.50 per share to the Annual Shareholders' Meeting.

As of December 31, 2019, the number of shares entitled to dividends was 38,548,001, resulting in a total dividend payout for the 2019 financial year of around EUR 19.3 million.

Annual General Meeting

The Executive Board and Supervisory Board welcomed shareholders and shareholder representatives to the Annual General Meeting of CANCOM SE on 26 June 2019 at the Alte Kongresshalle in Munich. A total of 62.43 percent of the Company's share capital was present. All the resolutions put to the vote were passed by a large majority.

Communication with the capital market

CANCOM attaches great importance to active, open and transparent communication with its stakeholders. For example, its website is an important information platform for communication with shareholders and the capital market. But the way analysts view the Company also influences the way shareholders and investors form their opinions. CANCOM maintains regular constructive dialogue with all analysts. In addition, there were numerous contacts with existing and potential investors at roadshows in Germany and abroad, at investor conferences, in personal meetings and in telephone conferences in 2019.

Up-to-date information on the CANCOM share can be found on the website www.cancom.de in the Investors section.

Group Management Report and Management Report of CANCOM SE

Year from January 1 to December 31, 2019

Fundamental information about the Group

The CANCOM Group (hereinafter referred to as "CANCOM" or "CANCOM Group") is one of the leading providers of IT services and IT infrastructure in Germany. In addition to its activities in its home market Germany, the Group has subsidiaries or branches in Austria, the United Kingdom, Ireland, Belgium, Switzerland, Slovakia and the USA.

Structure of the CANCOM Group

The parent company of the CANCOM Group is CANCOM SE, based in Munich, Germany. It performs central financing and management functions for the Group companies, i.e. the equity investments it holds. In addition to the central management and financing activities of the parent company, the operating units are supported in their day-to-day business operations by equally centralized departments for purchasing, internal IT, warehouse/logistics, finance, repair/service, vehicle and travel management and human resources ("Central Services"), as well as marketing/communication and product management. In addition, the operating units have access to a cross-organizational internal specialized sales force ("Competence Center").

In addition to these centralized functions, CANCOM's operational units are primarily decentralized, and operate in units that are primarily organized by region. The organization comprises the regional units South, South West, Central, East, North and West, as well as operating units in the United Kingdom, Belgium and the USA. It also includes the eCom division and Managed Services.

In its financial reporting, the CANCOM Group, in addition to the overall view of the Group, uses two segments to report on operational business development: Cloud Solutions and IT Solutions.

Cloud Solutions

The Group segment Cloud Solutions comprises the business with (shared) managed services as well as product and service businesses that can be directly allocated to managed services contracts. It also includes all business activities in connection with the Group's own software product – the IT multi-cloud management software 'AHP Enterprise Cloud'.

IT Solutions

The group segment IT Solutions comprises the business relating to comprehensive strategic and technical consulting and services for projects in the field of IT infrastructure, IT applications and system integration as well as their planning and turnkey implementation. The segment also covers activities in the area of IT procurement and eProcurement Services.

Other companies

In addition to the two operating segments, the segment reporting of the CANCOM Group shows the “Other Companies” segment. This represents the staff and management functions for central Group management, including the parent company CANCOM SE. Internal Group investments and expenses for company acquisitions or sales are also included in this segment.

Changes in the reporting period

In the financial year 2019 CANCOM acquired medocino Gesellschaft für vernetzte Systeme mbH, Aachen, and Novosco Group Limited, Belfast. While medocino will in future primarily contribute to the business activities in the Group segment IT Solutions, Novosco will increase the CANCOM Group's capacities and capabilities in both operating segments. Further information, including the distribution of the individual companies among the reporting segments and changes in the consolidated group during the reporting period, can be found in section D. 2 and in section A. 2.3 of the consolidated financial statements.

Business model and sales markets

CANCOM's range of products and services is aimed at advising and supporting corporate customers in adapting IT infrastructures and business processes to the challenges of digital transformation. CANCOM acts as a provider of complete solutions and sees itself ”Leading Digital Transformation Partner" for its customers.

The spectrum of services ranges from strategic consulting for digital business processes, partial or complete operation of clients' IT systems (managed services), system design and integration, IT support, delivery and turnkey implementation of hardware and software, and e-procurement, to the sale of CANCOM's own software 'AHP Enterprise Cloud'.

This broad range of products and services enables the CANCOM Group to generate income both on the basis of its own capabilities and performance (service business) and from remuneration and commissions for the sale of third-party IT products (sale of goods). The business model is supplemented by the sale of the Group's own software 'AHP Enterprise Cloud'. CANCOM thus combines the corporate activities of a managed services provider, a system house (value-added reseller) and a software manufacturer, and can thus generate additional synergy effects between these complementary business areas.

Management is pursuing a medium-term course of strategic transformation of the CANCOM Group. The provision of IT services, especially shared managed services, is taking up an increasing share of business activity. Since 2018, the company has also been investing more heavily in the further development of its own software, the 'AHP Enterprise Cloud', and has established a specialized sales force, including partners. This should enable marketing of the software 'AHP Enterprise Cloud' as a stand-alone product, in addition to the current distribution as a solution within larger IT projects by CANCOM itself.

A major external factor influencing CANCOM's business development is the development of the IT market in the largest sales markets, Germany, Austria, Belgium and the United Kingdom. For these markets as a whole – and thus also for CANCOM – the general trend towards digitalization, the increasing importance of IT processes in business and administration, and the constant development of devices, technologies and applications are major drivers. In addition, data protection regulations, the general threat in the area of cyber security, and also the quality certifications required by customers, as well as environmental and social standards, are important external factors over which CANCOM has no control, and which can have a positive or negative effect on business development. As a provider of IT services and products, however, the CANCOM Group's business model is not subject to any special industry-specific legal regulations, approval requirements or official supervision, i.e. external regulatory or politically influenced factors which go beyond the legal framework generally applicable to all companies.

The clientele consists primarily of commercial end users, ranging from small and medium-sized enterprises to large corporations and groups, as well as public institutions. Geographically speaking, the CANCOM Group's business activities are mainly in Germany, but it also operates in Austria, the United Kingdom, Ireland, Belgium, Switzerland and the USA.

Competitive Position

According to the latest available analysis by the Federal Statistical Office and the IT industry association Bitkom, there are more than 90,000 companies in Germany in the IT hardware, software and IT services sectors, although they differ significantly in terms of size and/or range of services. Among the large companies with an annual turnover of more than EUR 250 million are 38 companies in the combined business field of IT hardware/software and IT services. On the basis of the data in the latest system house ranking of the industry medium ChannelPartner, there are even only five companies in Germany that achieve domestic revenues of over EUR 1 billion . According to this ranking, CANCOM is the fourth largest system house in Germany, based on revenues in the 2018 financial year (2017: 4th place).

Compared with the total number of companies active in the market, the CANCOM Group thus belongs to the very small group of large companies in the German IT industry.

The total volume of the German IT market in 2019 was estimated by the industry association Bitkom at EUR 92.9 billion. This means that, with domestic annual sales in 2019 of EUR 1,294.8 million, the CANCOM Group's market share in the German IT market is only about one percent.

These figures reflect the highly fragmented status of the German IT market and show the large remaining market potential for CANCOM in its home market of Germany.

Explanation of the control system used within the company

The most important financial performance indicators for the development of the CANCOM Group are gross profit[1], EBITDA[2], EBITA[3] and Annual Recurring Revenue[4] (ARR).

The EBITA, i.e. the operating result before amortization of intangible assets, is part of the control system instead of the EBIT.[5]From an accounting point of view, the corporate strategy with its significant activities in company acquisitions leads to burdens on the operating result (EBIT) through the consolidation of newly acquired companies in the form of amortization, which is independent of the CANCOM Group's business success. In the Executive Board's view, EBITA therefore reflects the CANCOM Group's entrepreneurial performance more adequately than EBIT.

At the beginning of the 2019 financial year, a new key figure – the Annual Recurring Revenue (ARR) – was included in the control system. In the view of the Executive Board, the ARR is the key indicator for the success of the CANCOM Group's strategic transformation, as it reflects the volume of the managed services business and the activities relating to the 'AHP Enterprise Cloud' software.

In order to control and monitor the development of the individual subsidiaries and the reporting segments, the Executive Board of CANCOM SE analyses, among other things, their sales, gross profit, operating expenses and operating result on a monthly basis and compares the actual figures with the planned figures. Any significant deviations in the key figures that are identified make it necessary to prepare a forecast.

In addition, external indicators such as inflation rates, interest rate levels, developments and forecasts on the general economy and the IT sector economy. Findings and signals from the risk early detection system are regularly taken into account for corporate management purposes. Please also refer to the comments in the risk and opportunity report.

Research and development activities

As CANCOM's main business in the IT market is in services and trading, it does not carry out any research activities.

The development services provided by CANCOM focus primarily on software solutions, applications or architectures in IT areas such as cloud computing, mobile solutions, Internet of Things, data analytics, IT security and shared managed services. In addition, there are adaptations (customizing) for business software used by CANCOM itself. Another focus of development activities is the in-house product 'AHP Enterprise Cloud'. Compared with CANCOM Group's total revenues, however, the cost of development work is neither significant, nor is the resulting own work capitalized. Development activities in the CANCOM Group are organized on a decentralized and project-based. Where necessary, teams are supported by the use of services provided by third parties.

CANCOM Group: Research and development

	2019	2018
Total research and development expenses	**7,565**	**5,425**
of which own work capitalized	2,747	2,493
of which for third-party services	1,947	812

Explanation of the Alternative Performance Measures (APM) used in accordance with the APM guidelines of the European Securities and Markets Authority (ESMA):

1) Gross profit = gross revenues (sales revenues + other operating income + other own work capitalized + capitalized contract costs) minus cost of materials/expenses for purchased services
2) EBITDA = net profit for the period + income taxes + currency gains/losses + depreciation on financial assets + income from investments + other financial result + net interest income + depreciation on property, plant and equipment, intangible assets and rights of use
3) EBITA = profit for the period + income taxes + currency gains/losses + depreciation on financial assets + income from investments + other financial result + net interest income + Amortization of customer bases, order backlogs, brands and impairment of goodwill
4) ARR = Revenue from multi-year service contracts and service level agreements and from AHP Enterprise Cloud in the base month (Monthly Recurring Revenue) x 12 months
5) EBIT = net profit for the period + income taxes + currency gains/losses + depreciation on financial assets + income from investments + other financial result + net interest income

Economic Report

Development of the overall economy and the IT market

According to Deutsche Bank Research, gross domestic product in Germany will rise by 0.5 percent in 2019. Compared with growth of 1.5 percent in the previous year, economic growth in the main sales market thus slowed in the past financial year 2019.

The following table shows the development of gross domestic product in the foreign markets that are also important for CANCOM.

	Gross Domestic Product 2019* (change to previous year in %)
Germany	+ 0.5
Great Britain	+ 1.2
Austria	+ 1.5
Switzerland	+ 0.9
Belgium	+ 1.3
USA	+ 2.3

* Source: Deutsche Bank Research, December 19, 2019.

The industry association Bitkom puts the total share of the overall German market for information and communication technology (ICT), i.e. the market for information technology (IT), which is particularly relevant for CANCOM, at EUR 92.9 billion for 2019. This figure represents growth of 2.9 percent compared with 2018. The IT services market segment, which is strategically important for CANCOM, grew by 2.4 percent in 2019 compared with the previous year, to EUR 40.9 billion.

	Market for Information Technology (IT) 2019, Germany** (change to previous year in %)
Total IT market	+ 2.9
IT Services	+ 2.4
Hardware (including semiconductors)	+ 0.5
Software	+ 6.3

* Source: Bitkom/EITO, January 2020.

Business development in 2019

The CANCOM Group's business development was favorable in 2019. Sales growth of 17.6 percent, of which 12.2 percent was organic, and an increase in EBITDA (adjusted) of 14.7 percent, of which 6.8 percent was organic, were achieved. Revenue thus rose to EUR 1,549.3 million and EBITDA (adjusted) to EUR 130.5 million. CANCOM thus achieved an EBITDA margin (adjusted) of 8.4 percent in the past financial year. The enormous growth in annual recurring revenue should also be emphasized. Compared with the previous year, this ARR, which reflects income from Managed Services contracts and the AHP Enterprise Cloud, rose by 41.3 percent to EUR 183.9 million. Both Group segments contributed to the growth in sales, and thus the whole range of products and services of the CANCOM Group.

With the sales growth achieved in 2019, CANCOM is far above the growth rate of 2.9 percent for the German IT market as a whole, even if it is only in Germany. This shows that the CANCOM Group is capable of operating competitively and gaining market share.

A single event in 2019 which was particularly significant for the earnings, assets and financial position was the acquisition of Novosco Group Limited, based in Belfast. Novosco is expanding the capacities and customer access of the CANCOM Group in the Cloud Solutions segment and in the IT Solutions segment.

Comparison of forecasts and results

In view of the forecasts for the development of the CANCOM Group and the two segments in the 2019 financial year, which were published at the beginning of the year and subsequently adjusted during the course of the year, the following comparison is made (see table). The growth rates given reflect the development of the CANCOM Group without the effects of the acquisitions made in the financial year 2019, as the planning at the beginning of the financial year is based on the corporate structure as of December, 31 2018:

Performance indicators	Forecast (28.3.2019)	Adjusted forecast (14.8.2019)	Result 2019 (in %, excluding acquisitions)
CANCOM: Group			
Turnover	Significantly rising	Very significant increase	+16.4 %
Gross profit	Significantly rising	Very significant increase	+13.0 %
EBITDA	Significantly rising	Very significant increase	+13.3 %
EBITA	Significantly rising	Very significant increase	+9.8 %
CANCOM: IT Solutions			
Turnover	Significantly rising	Very significant increase	+14.6 %
Gross profit	Significantly rising	Very significant increase	+8.8 %
EBITDA	Significantly rising	Very significant increase	+4.1 %
EBITA	Significantly rising	Very significant increase	+ 0.4 %
CANCOM: Cloud Solutions			
Turnover	Significantly increasing*	Very significant increase	+24.7 %
Gross profit	Significantly increasing*	Very significant increase	+21.2 %
EBITDA	Significantly increasing*	Very significant increase	+18.2 %
EBITA	Significantly increasing*	Very significant increase	+13.6 %
ARR	Very significant increase	Very significant increase	+23.9 %

* Growth rate to exceed growth rate of the group segment IT Solutions.

With reference to the adjusted forecast of August 14, 2019, CANCOM has achieved the Group's targets for sales, gross profit and EBITDA, and has almost reached them for EBITA. The forecast for the Cloud Solutions segment and the Annual Recurring Revenue (ARR) were achieved. In the IT Solutions segment the revenue target was achieved, while the figures for gross profit, EBITDA and EBITA did not meet the forecast adjusted in August. This was mainly due to a lower trading margin. The Management Board assesses the course of business in 2019 as favorable overall and also on the basis of a comparison with the published forecasts. However, the global outbreak of the corona virus after the end of the reporting period has created new risks and obstacles for the CANCOM Group's business development, which could reduce the pace of growth in 2020.

Order situation - Annual Recurring Revenue

Within the Group segment Cloud Solutions, CANCOM's business activities include managed services. Managed services contracts lead to recurring revenues over a fixed contract period of several years. The recurring revenues make it possible to project the expected future revenues in the next twelve months, starting from the last month of the respective reporting period. This Annual Recurring Revenue (ARR) amounted to EUR 183.9 million at the end of the reporting year on the basis of the month of December, which represents an increase of 41.3 percent compared to the previous year (December 2018: EUR 130.1 million). The organic growth of the ARR was 23.9%.

In the other business segments, information on the order situation is not meaningful as of the reporting date. This is due to the frequently customary contractual arrangements for orders. They often cover longer periods of time, but can change their volume within these periods (framework agreements). However, very short periods of time can also elapse between the order and the realization of sales. Reporting on order volume is therefore not meaningful, except in the case of the ARR, and for this reason is not included in the CANCOM Group's financial reports.

Employees

As of December 31, 2019, the CANCOM Group employed 3,820 people (December 31, 2018: 3,403). This represents an increase of 12.3 percent over the same period last year. The main drivers of the increase in personnel in 2019 were the need for more staff due to the increased volume of business and the acquisitions of companies in Germany and the United Kingdom. A total of around 280 employees became part of the CANCOM Group as a result of company acquisitions in the reporting period.

The employees worked in the following areas:

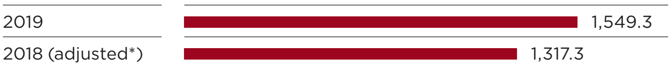
CANCOM Group: Employees

	Dec. 31, 2019	Dec. 31, 2018
Professional services	2,404	2,090
Distribution	777	725
Central services	639	588
Total	**3,820**	**3,403**

Earnings, financial position and net assets of the CANCOM Group

Earnings situation

CANCOM Group: Sales revenues
(in million €)



*) See the explanations in section A.7.3 of the consolidated financial statements.

In the 2019 financial year, the CANCOM Group achieved growth of 17.6 percent in consolidated revenue to EUR 1,549.3 million (previous year: EUR 1,317.3 million). CANCOM's organic sales growth, i.e. excluding the effects of acquisitions, was 12.2 percent in the reporting period. At Group level, CANCOM generated EUR 1,180.3 million (previous year: €1,000.5 million) from the sale of goods, i.e. in particular hardware and software, and EUR 369.0 million (previous year: EUR 316.8 million) from the provision of services. At segment level, the very dynamic overall business development was driven by revenue growth in both Group segments.

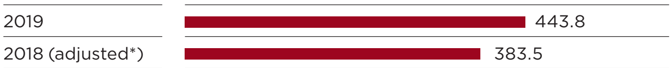
Geographically speaking, CANCOM achieved a 12.9 percent increase in sales in Germany during the reporting period to EUR 1,294.8 million (previous year: EUR 1,147.0 million). In its international business, CANCOM achieved sales of EUR 254.5 million, representing growth of 49.4 percent (previous year: EUR 170.3 million). This significant growth was due on the one hand to the good development of existing business activities abroad, and on the other hand was strongly supported by the acquisition of the Novosco Group.

In the Group segment Cloud Solutions, CANCOM achieved an increase in sales of 27.6 percent in the financial year 2019 compared to the previous year, to EUR 300.6 million (previous year: EUR 235.5 million). Organic sales growth was 20.0 percent.

In the Group segment IT Solutions, CANCOM increased its sales between January and December 2019 by 15.4 percent compared with the same period last year, to EUR 1,248.7 million (previous year: EUR 1,081.8 million). Organic sales growth in the same period was 10.5 percent.

At EUR 4.8 million, other operating income in the 2019 financial year was up on the previous year (previous year: EUR 2.6 million), but still at an insignificant level compared with revenue. A significant individual effect in the increase was the extraordinary income of EUR 1.6 million from the sale of the logistics and administration property in Jettingen-Scheppach.

CANCOM Group: Gross profit
(in million €)



*) See the explanations in section A.7.3 of the consolidated financial statements.

The CANCOM Group's gross profit in the 2019 financial year rose by 15.7 percent year-on-year to EUR 443.8 million (previous year: EUR 383.5 million). The gross profit margin was thus 28.6 percent (previous year: 29.1 percent). The development of the gross profit margin was primarily due to the cost of materials and purchased services, which rose more strongly than sales.

In the Cloud Solutions group segment, gross profit increased by 26.5 percent to EUR 145.1 million in the reporting period (previous year: EUR 114.7 million). In the Group segment IT Solutions, CANCOM recorded a 10.6 percent increase in gross profit to EUR 280.9 million (previous year: EUR 254.1 million)..

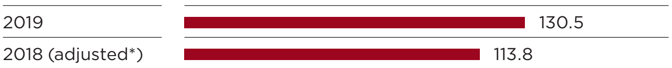
CANCOM Group: Staff expenses
(in million €)

	2019	**2018**
Wages and salaries	-225,6	-195,8
Equity-settled share-based payment transactions	-2,0	-0,5
Equity-settled based payment transactions	-0,5	-0,3
Social security contributions	-34,9	-31,1
Expenditure for pension schemes	-0,7	-0,6
Total	**-263,7**	**-228,3**

Staff expenses in financial year 2019 amounted to EUR 263.7 million and were thus 15.6 percent higher than in the previous year (previous year: EUR 228.3 million). The higher personnel expenses resulted in particular from the increase in the number of employees. The personnel expenses ratio thus fell to 17.0 percent (previous year: 17.3 percent).

Other operating expenses amounted to EUR 60.7 million in 2019. They were thus above the level of the previous year (previous year: EUR 51.4 million). The main effect of this development was due to the increases in the individual items entertainment and travel, costs of goods sold, external services and repairs/maintenance due to the generally higher volume of business and company acquisitions.

CANCOM Group: EBITDA (adjusted)
(in million €)



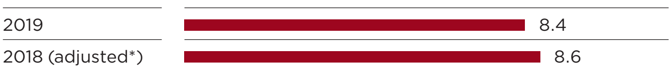
*) See the explanations in section A. 7.3 of the consolidated financial statements.

In the financial year 2019, the CANCOM Group's EBITDA (adjusted)[6] was EUR 130.5 million, an improvement of 14.7 percent over the previous year (previous year: EUR 113.8 million). The adjustment takes into account special investments in strategic structural changes and growth projects (EUR 8.7 million), incidental acquisition costs (EUR 1.6 million), share-based payments (EUR 2.6 million) and special income from the sale of the logistics and administration property in Jettingen-Scheppach (EUR 1.6 million). In total, EUR 11.3 million were adjusted for the reporting period (previous year: EUR 9.9 million). Of this amount, EUR 8.9 million was attributable to the Cloud Solutions segment (previous year: EUR 3.9 million), EUR 0.7 million to the IT Solutions segment (previous year: EUR 2.2 million) and EUR 1.7 million to other companies (previous year: EUR 3.9 million).

The organic growth rate for EBITDA (adjusted) was 6.8 percent.

The EBITDA margin (adjusted) for the reporting period was 8.4 percent (previous year: 8.6 percent).

CANCOM Group: EBITDA margin (adjusted)
(in %)



*) See the explanations in section A. 7.3 of the consolidated financial statements.

The group segment Cloud Solutions contributed to the positive earnings development with an increase in EBITDA (adjusted) of 28.4 percent to EUR 81.9 million in the reporting period compared to the same period of the previous year (previous year: EUR 63.8 million). The organic growth rate for EBITDA (adjusted) in the Cloud Solutions segment was 18.4 percent. The EBITDA margin (adjusted) in the Cloud Solutions segment thus rose to 27.3 percent (previous year: 27.1 percent), illustrating the high profitability of the business with (shared) managed services and the AHP Enterprise Cloud.

In the Group segment IT Solutions, CANCOM achieved an EBITDA (adjusted) of EUR 62.7 million, an improvement of 2.0 percent over the same period last year (previous year: EUR 61.5 million). In organic terms, EBITDA (adjusted) in the IT Solutions segment was 2.4 percent below the level of the previous year. The EBITDA margin (adjusted) was 5.0 per cent (previous year: 5.7 per cent).

The CANCOM Group's EBITDA according to IFRS, i.e. without the adjustment, was EUR 119.2 million in the past financial year (previous year: EUR 103.8 million). This represents an increase of 14.8 percent.

EBITDA according to IFRS in the Cloud Solutions segment amounted to EUR 73.0 million and was thus 21.9 percent higher than in 2018 (previous year: EUR 59.9 million).

In the IT Solutions segment, EBITDA in accordance with IFRS amounted to EUR 62.0 million and was thus 4.6 percent higher than in the previous year (previous year: EUR 59.3 million).

CANCOM Group: Depreciation
(in million €)

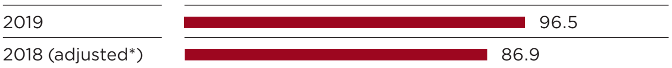
	2019	2018
Scheduled depreciation on property, plant and equipment	-18.2	-14.7
Scheduled Amortization of intangible assets	-10.3	-8.8
Scheduled depreciation on rights of use	-23.1	-16.4
Impairment of goodwill	-13.3	0.0
Total	**-64.9**	**-39.9**

Explanation of the Alternative Performance Measures (APM) used in accordance with the APM guidelines of the European Securities and Markets Authority (ESMA):

6) EBITDA (adjusted) = profit/loss for the period + income taxes + foreign exchange gains/losses + depreciation and amortization of financial assets + income from investments + other financial result + net interest income + depreciation and amortization of property, plant and equipment, intangible assets and rights of use + special investments in strategic structural changes and growth projects, Incidental acquisition costs, share-based payments - Exceptional income from the sale of real estate

Depreciation and amortization of property, plant and equipment, intangible assets and rights of use rose to EUR 64.9 million in the 2019 financial year, an increase of 63.1 percent (previous year: EUR 39.9 million). The greatest influence on this increase was the one-off impairment of goodwill of the US subsidiary HPM Incorporated, Pleasanton, amounting to EUR 13.3 million. The second largest change resulted from increased amortization of intangible assets (in particular customer bases acquired in company acquisitions), which rose to EUR 23.1 million (previous year: EUR 16.4 million).

CANCOM Group: EBITA (adjusted)
(in million €)



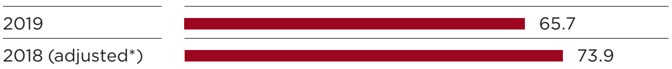
*) See the explanations in section A. 7.3 of the consolidated financial statements.

The CANCOM Group achieved an increase in EBITA (adjusted)[7] of 11.0 percent to EUR 96.5 million in the 2019 financial year (previous year: EUR 86.9 million).

Unadjusted EBITA according to IFRS of the CANCOM Group in the reporting period was EUR 85.2 million (previous year: EUR 77.0 million).

In the Cloud Solutions group segment EBITA in the reporting period was EUR 59.7 million (previous year: EUR 50.6 million). In the IT Solutions segment it amounted to EUR 41.6 million (previous year: EUR 42.1 million).

CANCOM Group: EBIT (adjusted)
(in million €)

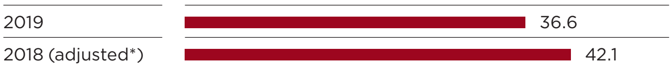


*) See the explanations in section A. 7.3 of the consolidated financial statements.

The CANCOM Group's EBIT (adjusted)[8] in the reporting period was EUR 65.7 million (previous year: EUR 73.9 million), which is a decline of 11.1 percent compared with the previous year.

Unadjusted EBIT according to IFRS of the CANCOM Group in the 2019 financial year was EUR 54.4 million (previous year: EUR 64.0 million). In the Cloud Solutions Group segment, EBIT under IFRS in the reporting period was EUR 48.6 million (previous year: EUR 40.9 million). In the IT Solutions segment it amounted to EUR 21.8 million (previous year: EUR 38.8 million). The main reason for the overall decline in the financial year is an impairment on the goodwill of the US subsidiary HPM Incorporated, Pleasanton, which burdened the IT Solutions segment with EUR 13.3 million.

CANCOM Group: Result for the period
(in million €)



*) See the explanations in section A. 7.3 of the consolidated financial statements.

As a result of the 2019 financial year, the CANCOM Group's net profit for the period was EUR 36.6 million, a decrease of 13.1 percent (previous year: EUR 42.1 million). The good overall business development described above and two positive one-off effects had an impact on the net profit for the period. The conclusion of negotiations to conclude the sale of the subsidiary Pirobase Imperia GmbH resulted in positive one-off earnings from discontinued operations of around EUR 1.8 million. In addition, there was a second positive extraordinary effect of EUR 1.6 million from the sale of the logistics and administration property in Jettingen-Scheppach. However, this could not prevent the overall decline, as this was mainly offset, with reference to extraordinary effects, by the negative one-off effect of EUR 13.3 million described above for the impairment of the US subsidiary HPM Incorporated, Pleasanton. In addition, the revaluation of purchase price liabilities from company acquisitions in the 2019 financial year resulted in a further negative effect of EUR 1.4 million on balance.

Financial and asset position

Principles and objectives of financial management

The core objective of CANCOM's financial management is to secure liquidity at all times to ensure day-to-day business operations. In addition, the aim is to optimize profitability and, in connection with this, to achieve the highest possible credit rating to ensure favorable refinancing. The financing structure is primarily geared to long-term stability and the maintenance of financial room for maneuver to take advantage of business and investment opportunities.

Explanation of the Alternative Performance Measures (APM) used in accordance with the APM guidelines of the European Securities and Markets Authority (ESMA).

7) EBITA (adjusted) = earnings for the period + income taxes + currency gains/losses + depreciation/amortization of financial assets + income from investments + other financial result + net interest income + amortization of customer bases, order backlogs, brands and impairment of goodwill + special investments in strategic structural changes and growth projects, ancillary acquisition costs, share-based payments - special income from the sale of properties

8) EBIT (adjusted) = earnings for the period + income taxes + currency gains/losses + depreciation/amortization of financial assets + income from investments + other financial result + net interest income + special investments in strategic structural changes and growth projects, ancillary acquisition costs, share-based payments - special income from the sale of properties

Capital structure of the Group

The CANCOM Group's total assets amounted to EUR 1,205.4 million on the balance sheet date of December 31, 2019 (31 December 31, 2018: EUR 843.3 million). Of this total, EUR 577.3 million was attributable to equity and EUR 628.1 million to liabilities. The CANCOM Group's equity ratio at the end of the 2019 financial year was therefore 47.9 percent (December 31, 2018: 46.0 percent), which is slightly higher than at the end of the previous year. The debt ratio fell accordingly to 52.1 percent (December 31, 2018: 54.0 percent). The primary reason for this shift in the balance sheet structure towards a slightly higher equity ratio was primarily the substantially increased capital reserve following the implementation of a capital increase in December 2019, bringing the total to EUR 374.3 million (previous year: EUR 204.7 million). This effect more than compensated for the increase in current and non-current liabilities in fiscal year 2019.

Both long-term and short-term financial liabilities to banks have a very low volume of € 7.4 million in comparison to total liabilities. The level of free cash and cash equivalents at the balance sheet date of December 31, 2019 covers this level of interest-bearing financial liabilities. Consequently, the Group has no net financial debt or this ratio is negative ("net cash" situation).

Liabilities and equity

Current liabilities, i.e. liabilities with a remaining term of less than one year, amounted to EUR 472.0 million at the end of the financial year (December 31, 2018: EUR 371.9 million). The strong year-on-year increase is mainly due to higher trade payables and other current financial liabilities. While trade payables are generally rising overall due to the CANCOM Group's growing business volume, the main driver for the increase in other current financial liabilities was the acquisition of the Novosco Group, increased financial liabilities to financial service providers from pre-financing, and higher financial liabilities to leasing companies. In addition to the above-mentioned factors, to a lesser extent, increased current contractual liabilities also contributed to the increase in current liabilities.

At EUR 156.1 million as of the balance sheet date, non-current liabilities were up sharply on the previous year (31 December 2018: EUR 83.6 million). The main reasons for this development are higher non-current lease liabilities as a result of the sale of the logistics and administration property in Jettingen-Scheppach with subsequent rental (sale and leaseback transaction) and increased non-current components of the purchase prices for the company acquisitions in the United Kingdom, especially as a result of the addition of the Novosco Group.

Equity rose to EUR 577.3 million at the end of the 2019 financial year (31 December 2018: EUR 387.7 million). The main change in this item was primarily the result of the capital increase against cash contributions in December 2019, which increased the share capital by around 10 percent, but above all boosted the capital reserves. In addition, retained earnings increased, but to a much lesser extent.

Key financing measures

In the period under review, current business and necessary replacement investments were financed from cash and cash equivalents and operating cash flow. The same applies to all other investments. The purchase price payments made in the 2019 financial year for the acquisitions made were financed entirely from cash and cash equivalents.

On 3 December 2019, CANCOM SE issued 3,504,363 new bearer shares through a capital increase against cash contribution. The share capital of CANCOM SE was increased accordingly by EUR 3,504,363.00. CANCOM SE received gross issue proceeds of EUR 174.2 million from the financing measure. Another major transaction was the sale of the logistics and administration property in Jettingen-Scheppach. The transaction resulted in an inflow of cash and cash equivalents in the amount of EUR 26.0 million. The selling price was higher than the previously recognized carrying amount of the property, so that the sale and the sale-lease-back-transaction generated other operating income of EUR 1.6 million.

Assets

The assets side of the balance sheet showed current assets of EUR 733.9 million as of December 31, 2019 (December 31, 2018: EUR 472.0 million). The increase compared with the year-end figure for the previous year is mainly due to the increase in cash and cash equivalents as a result of the capital increase in December 2019 and the high operating cash flow, particularly in the fourth quarter. A comparatively small additional effect on current assets was caused by increased inventories, capitalized current contract costs and other current financial assets as a result of the increased business volume and the acquisitions, as well as other current assets due to tax overpayments.

As of December 31, 2019, non-current assets amounted to EUR 471.5 million (December 31, 2018: EUR 371.3 million). While the sale of the logistics and administration property in Jettingen-Scheppach led to a decrease in property, plant and equipment, the balance sheet item rights of use increased on the other hand as a result of the immediate resumption of leases. In addition, non-current assets increased, above all as a result of the two company acquisitions in 2019 (medocino and Novosco), which led to an increase in intangible assets and, above all, goodwill.

Cash flow and liquidity

The cash flow from operating activities for the 2019 reporting period amounts to EUR 129.8 million (previous year: EUR 81.9 million), a plus of 58.5 percent. The increased capital inflows primarily reflect the increased business volume. Despite the lower net profit for the period compared with 2018 as the starting point, the overall figure was significantly higher than in the previous year, mainly due to the effects of increased depreciation and amortization and changes in trade receivables, contract assets and capitalized contract costs as well as other assets. In addition, there were positive effects from reduced income tax payments due to a one-time special effect.

The cash flow from investing activities amounted to EUR -52.0 million. The cash outflow for investments was significantly lower than in the previous year (previous year: EUR -71.9 million), although the figure for 2018 of EUR 12.0 million was actually positively influenced by a one-off inflow from the sale of securities. As in the previous year, the figure was mainly influenced by payments in connection with company acquisitions amounting to EUR 59.0 million. However, the change compared with the level of a year ago was mainly due to the cash inflow of EUR 26 million from the sale of the logistics and administration property in Jettingen-Scheppach, i.e. from proceeds from divestments.

The cash flow from financing activities amounted to EUR 149.9 million and was thus strongly positive (previous year: EUR -32.8 million). It primarily reflected the one-off effect of the proceeds from the capital increase in December 2019. In addition, there was a positive effect from payments received from sale and leaseback transactions with leasing companies. A negative effect came from payments in connection with the acquisition of the minority interests of Pironet AG.

In the reporting period, there was thus a sharp increase in cash and cash equivalents compared with the cash and cash equivalents at the beginning of the financial year. The value on December 31, 2019 was EUR 364.9 million (December 31, 2018: EUR 135.2 million).

On the balance sheet date, the CANCOM Group had at its disposal credit lines (including guarantee credits) granted by banks totaling EUR 39.5 million. Of these, a total of EUR 32.0 million was freely available on December 31, 2019.

The CANCOM Group therefore has a positive stock of cash and cash equivalents, a positively developing cash flow from operating activities and, as an additional safeguard against access to liquid funds, unused credit lines with financial institutions. This puts CANCOM in an extraordinarily strong position to meet its payment obligations at any time.

General statement on the CANCOM Group's profit, financial and asset position

In the financial year 2019, the CANCOM Group achieved an increase in sales of 17.6 percent, increased its EBITDA (adjusted) by 14.7 percent and thus achieved an EBITDA margin (adjusted) of 8.4 percent. Recurring revenues from managed services contracts (Annual Recurring Revenue) also rose by 41.3 percent year-on-year. This year-on-year increase in revenues and earnings was achieved through both organic growth and the acquisition of new subsidiaries. At the same time, both Group segments – IT Solutions and Cloud Solutions – contributed to the CANCOM Group's positive sales development. The favorable business development was the basis for an increase in cash flow from operating activities of 58.5 percent compared with the previous year. In addition, the parent company CANCOM SE was able to inject additional liquid funds into the cash fund through a capital increase. Overall, this led to a significant increase in cash and cash equivalents at the end of the fiscal year.

On the basis of these developments, the Executive Board assesses the course of the 2019 financial year as generally favorable for the CANCOM Group.

Earnings, financial position and net assets of CANCOM SE

Within the CANCOM Group, CANCOM SE assumes the central financing and management function for the investments it holds. CANCOM's opportunities and risks arise from the opportunities and risks of its investments. These are explained in more detail in the Report on Opportunities and Risks.

CANCOM SE generated sales revenues of €8.7 million in 2019 (previous year: €8.7 million) and reported net income of €72.9 million (previous year: €48.1 million). The sales revenues resulted primarily from management fees in the amount of € 8.6 million (previous year: € 8.6 million). The net income for the year is mainly made up of income from investments and profits received under profit transfer agreements with subsidiaries, which CANCOM SE receives in addition to the management fees.

CANCOM SE's total assets increased in the 2019 fiscal year to EUR 643.5 million as of December 31, 2019 (previous year: EUR 402.2 million). The reason for this increase was the higher equity, which amounted to EUR 622.9 million at the end of the reporting period (previous year: EUR 393.4 million). The increase was mainly due to the capital increase carried out in December 2019 and a related increase in capital reserves. The retention of earnings was an additional factor. As a result, CANCOM SE's equity ratio fell only slightly to 96.8 percent (previous year: 97.8 percent).

As of the balance sheet date, liabilities amounted to EUR 14.4 million and were thus significantly higher than in the previous year (previous year: EUR 1.9 million). The main reason for the change was the sharp increase in other liabilities on the balance sheet date. The main reason for the change is the higher VAT liabilities as at the reporting date, which result from CANCOM SE's position as the controlling company for VAT purposes.

On the assets side of the balance sheet, fixed assets rose to EUR 389.8 million (previous year: EUR 326.5 million). The main influencing factors were higher financial assets and lower property, plant and equipment values. Financial assets were characterized by increased loans to Group companies, an increase in shares in affiliated companies following the acquisition of the minority shares in Pironet AG and the early redemption of the variable purchase price component in connection with the acquisition of CANCOM Synaix GmbH. There were also acquisition costs for the acquisition of medocino Gesellschaft für vernetzte Systeme mbH. Current assets increased to EUR 253.3 million (previous year: EUR 75.6 million). The main trigger for this development was cash and cash equivalents, which rose to EUR 188.6 million as at December 31, 2019 (previous year: EUR 13.3 million), mainly due to the capital increase in December 2019.

General statement on the income, financial and asset situation of CANCOM SE

Overall, CANCOM SE has a very solid income, assets and financial position after the end of the 2019 financial year, as is shown, among other things, by its high equity ratio. Based on the good business performance of the investments of CANCOM SE and the CANCOM Group as a whole, and the resulting positive effects on the parent company's earnings situation, the Executive Board assesses the course of business in the 2019 financial year as very favorable for CANCOM SE.

Information relevant to takeovers

The following disclosures are made in accordance with section 289a (1) HGB and section 315a (1) HGB. For individual disclosures relevant to acquisitions, please refer to the notes to the consolidated financial statements and the notes to the annual financial statements of CANCOM SE. With regard to the powers of the Executive Board with regard to conditional and authorized capital, the issue of stock options, and the authorization to carry out a share buyback program, please also refer to the information in the notes to the consolidated financial statements and the notes to the annual financial statements of CANCOM SE.

Amount and division of the share capital

In accordance with the Articles of Association, the Company's share capital amounted to € 38,548,001.00 as of December 31, 2019 (previous year: € 35,043,638.00) and was divided into 38,548,001 no-par value shares (no-par value shares) (previous year: 35,043,638). The share capital and the number of shares increased due to a capital increase against cash contributions in 2019.

The amount of the share capital attributable to each share is € 1.00. The shares are made out to the bearer. They are certificated in global certificates. The shareholder's claim to securitization is therefore excluded. Each share entitles the holder to one vote at the Annual General Meeting. There are no different classes of shares. The same rights and obligations are associated with each share. There are no holders of shares with special rights conferring powers of control.

Direct or indirect shareholdings in capital of 10 percent or more

CANCOM SE is not aware of any direct or indirect shareholding in the share capital of CANCOM SE that exceeds 10 percent of the voting rights as of the reporting date of the 2019 fiscal year.

Appointment and dismissal of members of the Management Board

With regard to the appointment and dismissal of members of the Executive Board, the provisions of the German Stock Corporation Act (AktG) (sections 84 and 85) and Council Regulation (EC) No. 2157/2001 on the Statute for a European company (SE) (Art. 39 SE Regulation, Art. 9 para. 1 lit. c ii SE Regulation in conjunction with section 84 para. 3 AktG) apply. The Supervisory Board determines the number of members of the Executive Board. In appointing the Executive Board, CANCOM observes the recommendations of the German Corporate Governance Code, taking into account the specific situation of the Company.

Amendment of the Articles of Association

The provisions of Sections 133 and 179 of the German Stock Corporation Act (AktG) apply with regard to amendments to the Articles of Association. An amendment to the Articles of Association requires a resolution of the Annual General Meeting passed with at least a three-quarters majority of the share capital represented at the time the resolution is passed. The Articles of Association may stipulate a capital majority that deviates from the legal requirements, but only a larger one for a change in the object of the company, and may stipulate further requirements. Article 15 (3) of CANCOM SE's Articles of Association provides for such a provision. Accordingly, resolutions to amend the Articles of Association require a two-thirds majority of the votes cast or, if at least half of the share capital is represented, a simple majority of the votes cast. In those cases in which the law additionally requires a majority of the share capital represented at the passing of the resolution, the simple majority of the share capital represented at the passing of the resolution is sufficient, unless another majority is required by law. The authority to make amendments that only affect the wording may be delegated to the Supervisory Board by the General Meeting. This has been done at the Company by the provision in
§ 11 of the Articles of Association.

Material agreements that are subject to the condition of a change of control

A change of control agreement with a customer exists within the framework of a managed service agreement of Novosco Group Limited. CANCOM has no indications that this agreement will have any effects.

Apart from this, there were no other significant agreements in the reporting period which are subject to the condition of a change of control.

Compensation Report

The remuneration report presents the basic features of the remuneration system for the members of the Management Board and explains the structure and amount of the remuneration of the Management Board and the remuneration of the Supervisory Board. The report is based on the legal requirements and recommendations of the German Corporate Governance Code in the version dated February 7, 2017. The following remuneration report is part of the combined management report for the CANCOM Group.

Remuneration of the Management Board

The full Supervisory Board is responsible for determining and reviewing the remuneration of the Management Board and the remuneration system for the Management Board. It is based, among other things, on the size of the company, its economic situation, its success and future prospects, as well as on the level of remuneration paid to the Management Board at comparable companies within and outside the IT sector. In addition, the tasks and personal performance of the respective Management Board member are taken into account, as is the customary remuneration, taking into account the remuneration structure that otherwise applies in the Company. The remuneration system for the Executive Board at CANCOM is geared to sustainable corporate development.

The remuneration system for the Executive Board of the CANCOM Group and CANCOM SE for the financial year 2017 was last approved by the Annual General Meeting on June 14, 2018. On the same day, the Annual General Meeting of CANCOM SE also resolved to create an authorization to grant subscription rights (share options) to members of the Executive Board of CANCOM SE, among others.

The Supervisory Board exercised this authorization on August 17, 2018 by issuing stock options to members of the Executive Board of CANCOM SE. The stock options are now part of the remuneration system for the Executive Board, which has changed as a result and is described below. The options give the Executive Board the opportunity to acquire shares in CANCOM SE at the fixed exercise price after the vesting period has expired. The prerequisite is that the Executive Board must be in a non-terminated employment relationship with the Company until the end of the vesting period. The vesting period is staggered. After two years, 50 percent of the options vest, after three years 75 percent and after four years 100 percent. Irrespective of the entitlement earned over time, the options can only be exercised if, after the end of the full four-year vesting period, firstly, the CANCOM SE shares have outperformed a basket of eight shares in companies in the IT sector on average at the time of the desired exercise, and secondly, the CANCOM share price has risen in a calculated linear fashion by 5 percent per year over the entire vesting period. Only if these conditions are met can the options be exercised within a period of 10 years from the date of issue. The details of the share option scheme are set out in the resolution of the Annual General Meeting of June 14, 2018, published on the CANCOM Group's website, and explained in section D. 4.1 of the notes to the consolidated financial statements for the 2019 financial year

In the 2019 financial year, the Supervisory Board changed the composition of the variable remuneration of the Management Board members Thomas Volk and Thomas Stark and concluded correspondingly modified Management Board contracts with these Management Board members. The modified variable remuneration will be applied to Mr. Volk from January 1, 2019. In the case of Mr Stark, it will take effect from January 1, 2020. The change introduced a second component, Annual Recurring Revenue (ARR), in addition to the existing reference figure for the CANCOM Group's EBITDA. The introduction of the ARR in the remuneration system for the Executive Board is consistent with the inclusion of this financial performance indicator in the Group's management system. The structure of the new component of the remuneration is based entirely on the existing principles for short-term and long-term bonuses and the related malus regulations of the remuneration system approved by the Annual General Meeting on August 17, 2018. The new regulation is also described below.

Components of the Management Board remuneration

Fixed, variable and share-based remuneration

The remuneration of the Management Board is performance-oriented. At Rudolf Hotter, it will consist of a fixed remuneration (basic remuneration) and a variable bonus in the 2019 financial year. For Thomas Volk and Thomas Stark, it consists of a fixed remuneration (basic remuneration), variable bonuses and a share-based remuneration component (stock options).

The Executive Board Rudolf Hotter did not hold any subscription rights or other share-based payments in respect of CANCOM SE shares in the 2019 reporting year. After receiving stock options from August 17, 2018, the Executive Board members Thomas Volk and Thomas Stark were in possession of subscription rights, and thus a share-based remuneration component, in the reporting year.

The fixed remuneration is paid as a monthly salary. The payment and the amount of the variable bonuses for all members of the Executive Board always consist of a short-term bonus (for one financial year) and a long-term bonus (for three financial years), which depend on the degree to which the CANCOM Group's targets are achieved. 45 percent of the variable remuneration entitlements determined in this way are granted as short-term bonuses, and the remaining 55 percent depend on the CANCOM Group's long-term economic development.

These 55 percent are thus also subject to a full or partial repayment obligation (malus rule). The repayment obligation comes into effect if the bonus is significantly underperformed in the past three financial years, beginning with the financial year in which the bonus regulation came into effect. The repayment covers a percentage of the total amount of the long-term bonus component paid from the same three previous financial years, depending on the degree to which the planned targets were not met. The approved consolidated financial statements are decisive for the valuation of all planning targets, whereby extraordinary effects such as acquisitions in particular are not taken into account.

The service contracts of the members of the Management Board have maximum limits (cap) both for the total remuneration and for their variable remuneration components.

The Supervisory Board may, at its reasonable discretion, grant the Management Board a special remuneration for extraordinary performance, which may not exceed 50 percent of the annual fixed remuneration (basic remuneration).

Thomas Volk

In addition to the basic remuneration, Thomas Volk will receive variable annual remuneration (bonus A) from the 2019 financial year onwards, based on the achievement of the annual EBITDA target for the CANCOM Group set by the Supervisory Board each year. The bonus amounts to € 12.500 for each percentage point by which EBITDA target achievement exceeds 80 percent, with an upper limit of 120 percent. No bonus is paid if the level of target achievement falls below the 80 percent mark.

In addition, from the 2019 financial year Thomas Volk will receive a variable annual remuneration (bonus B), which is based on the achievement of the annual target for the CANCOM Group's Annual Recurring Revenue (ARR) set annually by the Supervisory Board. The bonus amounts to € 12.500 for each percentage point by which the ARR target achievement exceeds 80 percent, with an upper limit of 120 percent. No bonus is paid if the level of target achievement falls below the 80 percent mark.

These regulations stipulate that the total of all bonus entitlements for a financial year may not exceed EUR 1 million (cap) and that the long-term bonus is subject to the malus rule.

In addition, 200,000 stock options were issued to Mr. Volk on August 17, 2018, based on the resolution of the Annual General Meeting of June 14, 2018 to create a stock option program and under the conditions defined in this resolution.

Rudolf Hotter

In addition to the basic remuneration, Rudolf Hotter will receive a short-term bonus for the financial year 2019 amounting to 0.45 percent of the EBITDA achieved by the CANCOM Group. The long-term bonus amounts to 0.55 percent of the EBITDA achieved by the CANCOM Group. The total of all bonus claims for a financial year can amount to a maximum of EUR 1 million (cap).

From April 1, 2020 up to and including the financial year 2024, Rudolf Hotter will receive, in addition to his basic remuneration, a variable annual remuneration (bonus A), which is based on the achievement of the annual target for the CANCOM Group's EBITDA set annually by the Supervisory Board. The bonus amounts to € 12.500 for each percentage point by which EBITDA target achievement exceeds 80 percent, with an upper limit of 120 percent. No bonus is paid if the level of target achievement falls below the 80 percent mark.

In addition, from April 1, 2020 up to and including the financial year 2024, Rudolf Hotter will receive a variable annual remuneration (bonus B), which is based on the achievement of the annual target for the CANCOM Group's Annual Recurring Revenue (ARR) set annually by the Supervisory Board. The bonus amounts to € 12.500 for each percentage point by which the ARR target achievement exceeds 80 percent, with an upper limit of 120 percent. No bonus is paid if the level of target achievement falls below the 80 percent mark.

These regulations stipulate that the total of all bonus entitlements for a financial year may not exceed EUR 1 million (cap).

In addition, the Supervisory Board plans to issue 150,000 stock options to Mr. Hotter in 2020 based on the resolution of the Annual General Meeting of June 14, 2018 to create a stock option program and under the conditions defined in this resolution.

Thomas Stark

In addition to his basic remuneration, Thomas Stark will receive a variable bonus for the 2019 financial year of 0.55 percent of the EBITDA achieved by the CANCOM Group, if this exceeds 80 percent of the target set, limited to a maximum of 125 percent.

In addition, 60,000 stock options were issued to Mr. Stark on August 17, 2018, based on the resolution of the Annual General Meeting of June 14, 2018 to create a stock option program and under the conditions defined in this resolution.

From the financial year 2020 up to and including the financial year 2024, Thomas Stark will receive, in addition to his basic remuneration, a variable annual remuneration (bonus A), which is based on the achievement of the annual target for the CANCOM Group's EBITDA set annually by the Supervisory Board. The bonus amounts to € 5,000 for each percentage point by which EBITDA target achievement exceeds 80 percent, with an upper limit of 120 percent. No bonus is paid if the level of target achievement falls below the 80 percent mark.

In addition, from the financial year 2020 up to and including the financial year 2024, Thomas Stark will receive a variable annual remuneration (bonus B), which is based on the achievement of the annual target for the CANCOM Group's Annual Recurring Revenue (ARR) set annually by the Supervisory Board. The bonus amounts to € 5,000 for each percentage point by which the ARR target achievement exceeds 80 percent, with an upper limit of 120 percent. No bonus is paid if the level of target achievement falls below the 80 percent mark.

These regulations stipulate that the total of all bonus entitlements for a financial year may not exceed € 400,000 (cap).

Pension provision

While no retirement benefits were granted to Mr. Volk in 2019, the Company paid contributions for Mr. Stark and Mr. Hotter into an employer-financed company pension plan (direct insurance) and for Mr. Stark additionally into a pension fund, which are included in the fringe benefits.

Compensation regulation, prohibition of competition and change of control

In the event that the employment contract is terminated by notice or expiration, the contracts of the Management Board members include a severance payment provision. In addition, compensation based on a non-competition clause is provided for for a period of one year after termination of the contract.

In the event of premature termination of a Management Board member's contract by mutual consent without good cause, the Management Board contracts provide for a compensation payment, the amount of which is limited to a maximum of two years' compensation (severance payment cap). If the remaining term of the employment contract is less than two years, the severance payment shall be calculated pro rata temporis. The amount of the annual compensation for the calculation of the severance payment is determined by the total compensation of the last full financial year before the end of the contract.

There are no change-of-control clauses in the Management Board contracts.

Remuneration of the Management Board in the 2019 financial year according to DRS 17

The total remuneration granted to the members of the Management Board in accordance with GAS 17 and the remuneration of the individual members of the Management Board - also presented in accordance with GAS 17 - are shown in the following table:

Total remuneration according to DRS 17 (in €)	**Rudolf Hotter** member of the board		**Thomas Volk** Member of the Management Board (until January 31, 2020)		**Thomas Stark** member of the board		**Klaus Weinmann** Member of the Management Board (until September 30, 2018)	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Fixed remuneration	481,927	463,391	750,000	637,500	250,000	250,000	0	355,000
Ancillary benefits [1]	2,943	2,943	30,000	30,000	18,046	16,421	0	1,784
Total fixed remuneration components	**484,870**	**466,334**	**780,000**	**667,500**	**268,046**	**266,421**	**0**	**356,784**
Variable annual remuneration	450,000	432,054	275,477	140,895	159,839	38,746	0	311,126
Multiannual variable remuneration (total)[2]	550,000	528,065	336,694	172,205	73,137	47,356	0	355,524
2019 tranche (assessment period 2020 to 2022)	550,000	0	336,694	0	73,137	0	0	0
2018 tranche (assessment period 2019 to 2021)	0	528,065	0	172,205	0	47,356	0	355,524
Share-based remuneration	0	0	0	2,080,000	0	624,000	0	0
Total fixed and variable remuneration components	**1,484,870**	**1,426,453**	**1,392,171**	**3,060,600**	**501,022**	**976,529**	**0**	**1,023,434**

1) The Supervisory Board has granted the member of the Management Board Thomas Stark special remuneration of € 100,000 for the financial year 2019 for extraordinary achievements.

2) The multi-year variable remuneration is subject to the obligation to repay received bonus payments in full or in part in the event of a deterioration of the respective targets in the accounting period of three financial years in each case compared with the respective planned payments as a reference figure (malus).

As of the balance sheet date, the members of the Management Board held the number of stock options from the stock option program shown in the following table

Stock options	Financial year	Stock options granted in the financial year (in units)	Fair value at grant date (in €)	Total expense share-based payment (in €)*
Rudolf Hotter	2019	0	0	0
	2018	0	0	0
Thomas Volk	2019	0	0	702,575
	2018	200,000	2,080,000	191,132
Thomas Stark	2019	0	0	210,773
	2018	60,000	624,000	57,339
Klaus Weinmann	2019	0	0	0
	2018	0	0	0
Total compensation	**2019**	**0**	**0**	**913,348**
	2018	**260,000**	**2,704,000**	**248,471**

*) In the consolidated financial statements for the comparative period 2018, personnel expenses were distributed on a straight-line basis over the vesting period. At the end of the 2019 reporting period, a non-linear distribution was assumed to determine the personnel expenses. If this non-linear distribution had already been applied at the end of the comparative period, personnel expenses for Thomas Volk would have been € 52,768 higher (€ 243,900 instead of € 191,132) for share-based payments and for Thomas Stark € 15,831 higher (€ 73,170 instead of € 57,339) for share-based payments. The increases were taken into account in the amounts recognized in the reporting period.

The fair value of the stock options issued to Thomas Volk and Thomas Stark was € 10.40 per stock option at the time of issue (August 17, 2018). This results in a value of € 2,080,000 for the 200,000 options held by Thomas Volk and € 624,000 for the 60,000 options held by Thomas Stark.

In addition, a share price of € 39.60 and an exercise price of € 40.72 were used to determine the fair values for the share-based payment on the grant date.

No options are exercisable as of December 31, 2019.

For further details, please refer to section D. 4.1 of the consolidated financial statements.

Remuneration of the Management Board in fiscal year 2019 in accordance with the German Corporate Governance Code

The GCGC recommends that individual remuneration components be disclosed for each member of the Management Board according to certain criteria. It also recommends that the sample tables attached to the GCGC be used for their presentation, which in some cases deviates from GAS 17.

Remuneration awarded in accordance with the DCGK

The benefits granted to the individual members of the Management Board in accordance with the GCGC (total remuneration and remuneration components) as well as the minimum and maximum achievable remuneration are shown in the following table:

Grants awarded in accordance with the DCGK (in €)	**Rudolf Hotter** member of the board				**Thomas Volk** Member of the Management Board (until January 31,2020)			
	2019	**2019** (min)	**2019** (max)	**2018**	**2019**	**2019** (min)	**2019** (max)	**2018**
Fixed remuneration	481,927	481,927	481,927	463,391	750,000	750,000	750,000	637,500
Ancillary benefits [1)]	2,943	2,943	2,943	2,943	30,000	30,000	30,000	30,000
Total fixed remuneration components	**484,870**	**484,870**	**484,870**	**466,334**	**780,000**	**780,000**	**780,000**	**667,500**
Variable annual remuneration	450,000	0	450,000	432,054	225,000	0	825,000	140,895
Multiannual variable remuneration (total) [2)]	550,000	0	550,000	528,065	275,000	0	550,000	172,205
2019 tranche (assessment period 2020 to 2022)	550,000	0	550,000	0	275,000	0	550,000	0
2018 tranche (assessment period 2019 to 2021)	0	0	0	528,065	0	0	0	172,205
Share-based payment [3)]	0	0	0	0	0	0	0	2,080,000
Total fixed and variable remuneration components	**1,484,870**	**484,870**	**1,484,870**	**1,426,453**	**1,280,000**	**780,000**	**2,155,000**	**3,060,600**
Utility expenses	0	0	0	0	0	0	0	0
Total remuneration	**1,484,870**	**484,870**	**1,484,870**	**1,426,453**	**1,280,000**	**780,000**	**2,155,000**	**3,060,600**

Grants awarded in accordance with the DCGK (in €)	**Thomas Stark** member of the board				**Klaus Weinmann** Member of the Management Board (until September 30, 2018)			
	2019	**2019** (min)	**2019** (max)	**2018**	**2019**	**2019** (min)	**2019** (max)	**2018**
Fixed remuneration	250,000	250,000	250,000	250,000	0	0	0	355,000
Ancillary benefits [1]	18,046	18,046	18,046	16,421	0	0	0	1,784
Total fixed remuneration components	**268,046**	**268,046**	**268,046**	**266,421**	**0**	**0**	**0**	**356,784**
Variable annual remuneration	59,409	0	330,000	38,746	0	0	0	311,126
Multiannual variable remuneration (total) [2]	72,611	0	275,000	47,356	0	0	0	355,524
2019 tranche (assessment period 2020 to 2022)	72,611	0	275,000	0	0	0	0	0
2018 tranche (assessment period 2019 to 2021)	0	0	0	47,356	0	0	0	355,524
Share-based payment [3]	0	0	0	624,000	0	0	0	0
Total fixed and variable remuneration components	**400,066**	**268,046**	**873,046**	**976,523**	**0**	**0**	**0**	**1,023,434**
Utility expenses	0	0	0	0	0	0	0	0
Total remuneration	**400,066**	**268,046**	**873,046**	**976,523**	**0**	**0**	**0**	**1,023,434**

1) The fringe benefits include the costs of or the monetary benefit of fringe benefits such as the provision of company cars and contributions to insurance policies.

2) The multi-year variable remuneration is subject to the obligation to repay received bonus payments in full or in part in the event of a deterioration of the respective targets in the accounting period of three financial years in each case compared with the respective planned payments as a reference figure (malus).

3) The fair value of the stock options issued to Thomas Volk and Thomas Stark was € 10.40 per stock option at the time of issue (August 17, 2018). This results in a value of € 2,080,000 for the 200,000 options of Thomas Volk and € 624,000 for the 60,000 options of Thomas Stark.

Inflow according to DKGC (in €)	**Rudolf Hotter** member of the board		**Thomas Volk** Member of the Management Board (until January 31, 2020)		**Thomas Stark** member of the board		**Klaus Weinmann** Member of the Management Board (until September 30, 2018)	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Fixed remuneration	481,927	463,391	750,000	637,500	250,000	250,000	0	355,000
Ancillary benefits	2,943	2,943	30,000	30,000	18,046	16,421	0	1,784
Total fixed remuneration components	**484,870**	**466,334**	**780,000**	**667,500**	**268,046**	**266,421**	**0**	**356,784**
One-year variable remuneration [1]	450,000	432,054	275,477	140,895	159,839	38,746	0	311,126
Multi-year variable remuneration (total)[2]	550,000	528,065	336,694	172,205	73,137	47,356	0	355,524
2019 tranche (assessment period 2020 to 2022)	550,000	0	336,694	0	73,137	0	0	0
2018 tranche (assessment period 2019 to 2021)	0	528,065	0	172,205	0	47,356	0	355,524
Total fixed and variable remuneration components	**1,484,870**	**1,426,453**	**1,392,171**	**980,600**	**501,022**	**352,523**	**0**	**1,023,434**
Utility expenses	0	0	0	0	0	0	0	0
Total compensation	**1,484,870**	**1,426,453**	**1,392,171**	**980,600**	**501,022**	**352,523**	**0**	**1,023,434**

1) The Supervisory Board has granted the member of the Management Board Thomas Stark special remuneration of € 100,000 for the financial year 2019 for extraordinary achievements.

2) The dependence of the bonus on the CANCOM Group's long-term economic development is based on the Executive Board's obligation to repay received bonus payments in full or in part if there is a significant deterioration in results in the accounting period of three financial years compared with the respective budgeted figures as a reference value.

Inflow in accordance with DCGK

The previous table shows the inflow in or for the 2019 financial year from fixed remuneration, fringe benefits, one-year variable remuneration and multi-year variable remuneration, differentiated by the respective reference years, and pension expenses. In contrast to the multi-year variable remuneration granted for the 2019 financial year as shown above, this table includes the actual value of multi-year variable remuneration granted in previous years and received in the year under review.

Remuneration of the Supervisory Board

The Annual General Meeting on June 14, 2018 adjusted the remuneration of the Supervisory Board by resolution. This is set out in Article 13 of CANCOM's current Articles of Association and the amount was determined by resolution of the Annual General Meeting on June 14, 2018. In addition, the remuneration system for members of the Supervisory Board was adjusted by resolution of the Annual General Meeting on June 14, 2018, particularly with regard to the cost-related nature of the remuneration in view of the increased requirements, but also with regard to the attendance fee. The remuneration of the Supervisory Board is structured as a pure fixed remuneration. The deputy chairmanship and chairmanship of the Supervisory Board as well as membership or chairmanship of committees are taken into account separately in the amount of remuneration, as is the number of times the Supervisory Board attends meetings (attendance fee).

Components of the Supervisory Board remuneration

Each member of the Supervisory Board receives a fixed annual remuneration for his or her work on the Supervisory Board, which is determined by the Annual General Meeting and remains in force until the Annual General Meeting decides on a change.

According to the resolution of the Annual General Meeting on June 14, 2018, an amount of € 30,000 is granted. The Deputy Chairman receives twice and the Chairman four times the fixed annual remuneration. In addition, an attendance fee for attendance meetings of € 1,000 per Supervisory Board member is granted. For the Chairman of the Supervisory Board, the attendance fee for attendance meetings is € 2,000. If the membership does not last a full year, the respective member receives the remuneration pro rata temporis.

The Company reimburses the members of the Supervisory Board for expenses directly related to the performance of their duties. Value-added tax is reimbursed by the Company to the extent that the members of the Supervisory Board are entitled to invoice the Company separately for value-added tax and exercise this right.

In accordance with the resolution of the Annual General Meeting on June 14, 2018, committee members receive a fixed annual remuneration for their work on a committee as follows: As members of the Nomination Committee and the Audit Committee, Supervisory Board members receive a one-time annual remuneration. Members of the Nomination Committee receive a remuneration of € 1,000, the Chairman of the Committee receives a remuneration of € 2,000. Members of the Audit Committee receive a remuneration of € 2,000 and the Chairman of the Committee € 4,000. If the membership does not last a full year, the respective member receives the remuneration pro rata temporis. The additional remuneration requires that the committee has had at least one meeting in the relevant financial year.

Overview of Supervisory Board remuneration

The remuneration of the members of the Supervisory Board for the 2019 financial year is as follows (individualized details, rounded):

(in €)	Fixed remuneration 2019	Attendance fee 2019	Committee activity 2019	Total 2019	Total 2018
Dr. Lothar Koniarski (Chairman)	120,000	8,000	4,000	132,000	132,000
Uwe Kemm (Deputy Chairman, until June 26, 2019)	30,000	1,000	2,500	33,500	69,000
Regina Weinmann (resigned December 31, 2019)	30,000	4,000	1,000	35,000	35,000
Martin Wild	30,000	4,000	583	34,583	34,000
Marlies Terock (resigned June 26, 2019)	15,000	1,000	0	16,000	34,000
Dominik Eberle (resigned 2.11.2018)	0	0	0	0	32,500
Stefan Kober (from February 11, 2019, Deputy Chairman from June 26, 2019)	42,917	4,000	1,833	48,750	0
Hans-Ulrich Holdenried (from June 26, 2019; resigned February 5, 2020)	17,500	3,000	2,333	22,833	0
Prof. Dr. Isabell Welpe (from June 26, 2019)	17,500	3,000	0	20,500	0
Total amount	**302,917**	**28,000**	**12,250**	**343,167**	**336,500**

In the year under review, the members of the Supervisory Board did not receive any further remuneration or benefits for services rendered personally, in particular consulting and agency services. No loans or advances were granted to the members of the Supervisory Board, nor were any contingent liabilities entered into in their favor.

D&O insurance

The company has taken out a directors' and officers' liability insurance policy (D&O insurance) for the benefit of the Executive Board, the Supervisory Board and senior executives, which covers the legal liability arising from their activities on the Executive Board, the Supervisory Board and management. A deductible was agreed in the D&O insurance for the Executive Board and Supervisory Board.

Declaration on corporate governance in accordance with § 315d HGB in conjunction with § Section 289f HGB

CANCOM has issued the corporate governance declaration pursuant to Section 315d of the German Commercial Code (HGB) in conjunction with § Section 289f HGB has been made publicly available on the Company's website.

Non-financial statement in accordance with section 315c HGB in conjunction with §Section 289c HGB

CANCOM publishes the non-financial statement audited by the Supervisory Board in accordance with section 315c of the German Commercial Code (HGB) in conjunction with § section 289c of the German Commercial Code (HGB) as a separate summarized non-financial report for the CANCOM Group and CANCOM SE on the Company's website at www.cancom.de/berichte within four months of the balance sheet date.

Risks and opportunities report

As a Group operating across borders in an industry with rapid innovation cycles, CANCOM faces numerous opportunities and risks that can have a considerable impact on its business development, the associated financial position and results. Entrepreneurial opportunities are always associated with risks. The aim of the CANCOM Group is therefore to achieve a sustainable increase in the value of the company in the interests of its shareholders, based on an optimum risk/reward ratio.

Risk and opportunity management

The principles of value-oriented, responsible corporate management include the exploitation of business opportunities while at the same time managing the associated risks with foresight.

CANCOM's management closely monitors market developments and the competitive situation, evaluates these and, in annual planning meetings with the Executive Board and the operational management level, derives potential opportunities for the respective business segments, as well as corresponding targets and measures.

In contrast, continuous risk management serves to ensure efficient risk monitoring and early detection, and is therefore also an integral part of the CANCOM Group's strategy and business development, and of its internal management and control systems. CANCOM's risk management aims to identify at an early stage any business risks which could threaten the existence of the Company or which are significant, and to deal with them responsibly.

Risk Management System

Internal control and risk management system with regard to the (Group) accounting process

The internal control and risk management system in place at CANCOM with regard to the (Group) accounting process comprises guidelines, procedures and measures designed to ensure that accounting complies with the relevant laws and standards. The main features can be described as follows:

- In addition to a business distribution plan, CANCOM has a clear management and corporate structure. Cross-divisional key functions are managed centrally by CANCOM SE.

- There is a clear separation of the functions of the areas significantly involved in the accounting process. The areas of responsibility are clearly assigned.

- Integrity and accountability with regard to finances and financial reporting are ensured by including a commitment to this in the company's own Code of Conduct.

- The risk management system provides for the analysis of new laws, accounting standards and other pronouncements, the non-observance of which would pose a material risk to the propriety of the financial statements.

- The financial systems used are protected against unauthorized access by appropriate IT facilities. Standard software is used as far as possible in the financial systems used.

- Consolidation takes place in the central consolidation office using uniform consolidation software.

- The annual financial statements, which are included in the consolidated financial statements, are prepared in accordance with uniform Group accounting policies.

- The risk management system is based on a holistic corporate governance approach in which all elements - risk management, compliance management, internal audit and the internal control system (ICS) - are regularly reviewed with regard to their effectiveness and mutually influence each other. In accordance with this holistic approach, the elements and audit routines described above are gradually being established in the organization where they do not yet exist (for example, in the case of acquired subsidiaries abroad).

- An adequate policy system (for instance payment guidelines, travel expense guidelines, etc.) has been established and is updated on an ongoing basis. The material assets of all companies are regularly tested for impairment, and there are instructions for controlling all accounting-relevant processes.

- The principle of dual control is applied throughout all payment-related processes.

- Accounting-relevant processes are reviewed according to the established plan for revisions by the (process-independent) internal audit department. These audit routines are gradually established, if they do not yet exist (for example, in the case of acquired subsidiaries abroad).

- Both the risk management system and the internal control system (ICS) contain adequate measures for controlling accounting-relevant processes.

- The equipment of the departments and divisions involved in the financial reporting process is geared in terms of both quantity and quality to the capacity and qualification requirements necessary to ensure its functionality.

- The risk management system provides that accounting data received or passed on is continuously checked for completeness and accuracy, including by spot checks. There is a three-stage checking system for the correctness of the financial statements. Individual financial statements are prepared by the financial accounting department, while group accounting and consolidation is a further control body before financial management carries out a third review.

The internal control and risk management system with regard to the (group) accounting process is intended to ensure that business matters are always correctly recorded, processed and evaluated in the balance sheet and included in the accounting.

Appropriate staffing levels, the use of adequate software and clear legal and internal company guidelines form the basis for a proper, uniform and continuous accounting process. The clear delineation of areas of responsibility and various control and review mechanisms as described in more detail above (in particular the authorization concept, plausibility checks and the dual control principle) ensure correct and responsible accounting.

Specifically, organizational support is provided to ensure that business transactions are recorded, processed and documented in accordance with legal requirements, the Articles of Association and internal guidelines, and that they are entered promptly and correctly in the accounts. At the same time, care is taken to ensure that assets and liabilities are correctly recognized, reported and measured in the annual and consolidated financial statements and that reliable and relevant information is provided in full and in a timely manner.

Risk identification, analysis and documentation

In order to define and ensure adequate risk controlling, the Management Board has formulated risk principles and appointed a central risk officer who regularly monitors and assesses any risks. The overriding objectives of risk management include the timely identification of material risks and risks that could jeopardize the company's continued existence as a going concern, as well as the initiation of appropriate measures within the framework of risk control in order to minimize or avert any potential damage resulting from the possible occurrence of a risk to the company.

To document the organizational regulations and measures for risk identification, analysis, evaluation, quantification, management and control, CANCOM has drawn up a risk manual, which describes, among other things, the appropriate handling of business risks at CANCOM.

CANCOM proceeds as follows in its risk assessment: First of all, the identified risks are grouped together in thematic clusters, and these are then evaluated according to the probability of occurrence and potential damage. All identified risks are assigned to a person responsible in this context. Insofar as risks can be sensibly controlled using quantifiable variables, appropriately defined key figures are used to evaluate them. If there are no precisely definable measures available for risks, they are assessed by the persons responsible.

Risks are presented as net, i.e. after taking countermeasures into account. The probability of occurrence is differentiated on the basis of the following categories: low, medium, high. With regard to the potential loss amount, a differentiation is also made on the basis of the categories low, medium, high and very high. With the help of a risk matrix, the individual risks can be systematized on the basis of the dimensions mentioned above and assigned to different risk classes. The following tables explain the individual dimensions and present the resulting risk matrix. The risk matrix was expanded in the 2019 financial year to include the loss category Very high. The reason for the adjustment is the increased size of the company, which means that if certain risks occur, the amount of loss will also be higher. These specific risks are now additionally highlighted by the Very high category.

PROBABILITY OF OCCURRENCE

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

POTENTIAL AMOUNT OF DAMAGE

Potential amount of damage	Definition
Low	Weak adverse effects on the earnings, assets and financial position (EUR 0 to 1.0 million)
Resources	Significant negative effects on the earnings, assets and financial position (EUR 1.0 to 5.0 million)
High	Significant adverse effects on the earnings, assets and financial position (over EUR 5.0 million)
Very High	Very significant adverse effects on the earnings, assets and financial position (over EUR 10.0 million)

RISK MATRIX

Probability of occurrence	Potential amount of damage			
	Low	**Resources**	**High**	**Very high**
High	Medium risk	High risk	High risk	High risk
Resources	Low risk	Medium risk	Medium risk	High risk
Low	Low risk	Low risk	Medium risk	High risk

CANCOM has defined early warning indicators as part of the risk management system for risks that could endanger the continued existence of the Company, and the changes and developments in these indicators are continuously monitored and discussed in risk management meetings. The regular risk management meetings between the Executive Board and the risk officer ensure permanent and prompt control of existing and future risks. In addition, this ensures in the best possible way that the Executive Board and the Supervisory Board are informed about possible significant risks at an early stage.

The risk management system does not identify any opportunities.

Risks of future development

The following section provides an overview of the risks classified as significant and of possible future developments or events with potentially negative effects on the CANCOM Group. The risks remaining after the implementation of limiting measures are described. The period for considering risks and opportunities corresponds to the forecast period. In principle, all the risk factors mentioned below affect both business segments (Cloud Solutions and IT Solutions) equally. If one of the two business segments is particularly affected by one of the risks mentioned, this is indicated accordingly below.

It cannot be ruled out that risks that are currently not known or risks that are currently considered to be insignificant and are therefore not described below may impair future business activities.

OVERALL ASSESSMENT

Risk	Overall assessment	
	2019	Trend*
Economic, regulatory, market and sector-related risks		
Economic and (geo)political risk	high	+
Regulatory risk	low	new
Risks from competition and technological change	medium	-
Direct sales risk	medium	0
Project and business risks		
Product liability, warranty and compensation risks	medium	-
Project risk	medium	0
Subcontractor risk	medium	-
Key account dependency risk	medium	0
Supplier dependency risk	high	0
Storage risk	low	0
Internal risks	low	-
Risk of operational disruptions, especially IT systems	high	0
Risk from the introduction of SAP	high	0
Financial risks		
Financing, liquidity and creditworthiness risks	no risks	0
Exchange rate and interest rate risk	low	0
Bad debt risk	medium	+
Personnel risks		
Key personnel and know-how risk	medium	-
Information risks		
Confidentiality risk	medium	0
Legal risks		new
Risk of protection	medium	0
Data protection regulations risk	medium	-
Risk of infringement	low	+
Strategic risks		
Risk from misjudgments in acquisitions and integrations	high	0
Risks from the acquisition/sale of companies or shares in companies	medium	0

*) + = increasing risk, 0 = constant risk, - = decreasing risk,
new = new risk taken up compared with the previous year.

Changes in risks compared with the previous year

Compared with the status of the risk report in the 2018 Annual Report, there have been significant changes in risks. The changes are explained in the text of the respective risk.

Economic, regulatory, market and sector-related risks

The CANCOM Group's business development could be negatively affected by economic and (geo)political developments.

As an IT service provider and system house, CANCOM is dependent on suppliers of and customer demand for hardware, software, IT system solutions and IT services. The size of customers' IT budgets depends both on the economic situation of the companies and on the general economic and (geo)political environment. If, as a result of these general conditions, for example due to a slump in the economy, IT budgets are cut, corresponding funds are used for other purposes, or existing or potential customers terminate their business activities, this can lead to orders to CANCOM being postponed or cancelled. Similarly, interruptions in the supply chain for hardware, software or services could have a negative impact on CANCOM's business development.

One of these (geo-) political risks, which may have a noticeable impact on the economic situation and consequently on the economic development of the CANCOM Group (especially in the case of its subsidiaries in the United Kingdom), is the consequences of the United Kingdom's withdrawal from the European Union (BREXIT). Another possible risk scenario is a severe economic slump due to the spread of the corona virus. Due to the global effects of the outbreak of the corona virus, all the procurement and sales markets relevant to CANCOM are affected by restrictions, which are likely to have negative consequences for the economy in these markets.

To counter these risks, CANCOM monitors economic and (geo) political developments, uses external consultants and incorporates the findings into corporate management, supplier management and the range of products and services offered. A particular focus in the product and solution portfolio is on the expansion of business areas such as cloud computing and shared managed services. In comparison to the system house business, these business segments are generally characterized by contract terms of several years, which reduces the dependency on short-term economic developments.

The occurrence of the risk of a negative impact of economic and (geo)political developments on business development cannot be ruled out. The Management Board estimates the probability of occurrence to be high after the implementation of countermeasures. The damage potential is estimated to be high. Overall, the risk is therefore assessed as high.

The overall assessment has changed compared to the previous year and the overall assessment has increased to high. The main reason for the change is a reassessment of the economic and (geo) political situation, particularly due to the spread of the corona virus.

The CANCOM Group's business activities could be restricted by regulatory measures or negatively influenced in some other way.

One risk factor for the CANCOM Group's business development is regulatory changes, for example in corporate taxes and labor law, but especially regulatory changes relating to the IT sector, such as import and export restrictions, customs duties or prohibitions or restrictions on the use of IT products or IT services. Such or similar regulatory changes, or changes in transactions requiring official approval, could also lead to a significant deterioration in the CANCOM Group's business performance or profitability. In addition, the CANCOM Group's range of products and services could be negatively affected or prohibited by regulatory changes, for example in the areas of data protection and data storage/processing.

To counter these risks, CANCOM monitors regulatory developments, uses external consultants and incorporates the findings into corporate management and the range of products and services offered.

The occurrence of the risk of a negative impact of regulatory developments on business development cannot be ruled out. After implementing countermeasures, the Management Board estimates the probability of occurrence to be medium. The potential for damage is considered to be low. Overall, the risk is therefore considered to be low.

The risk has been reformulated and integrated into the risk report as individual risks such as special customs duties or export restrictions on goods are increasingly becoming a reality.

The risk has been reformulated and integrated into the risk report as individual risks such as special customs duties or restrictions on the export of goods are increasingly becoming reality and therefore significant.

Increasing competition and technological change in the IT market could lead to lower sales, lower margins and/or a loss of market share for the CANCOM Group.

The market in which the CANCOM Group operates is characterized by strong competition and rapid technological change. Insufficient knowledge of the market and the competition means that there is a risk of wrong or no decisions being made, both in the way the market is approached and the marketing mix, and in the strategic and tactical product and pricing policy. This can lead to a lack of sales success and to persistence in already saturated markets, but also to risky investments in new business areas with uncertain market success.

In addition, competitive pressure could intensify further, for example through price reductions in existing offers from competitors or the launch of new competing products. Furthermore, it is possible that new competitors could enter the market or new alliances of competitors could form that could gain significant market share in a short period of time. In the market for cloud computing in particular, so-called hyperscale cloud providers such as Google or Amazon are recording high growth rates with their public cloud offerings. This could lead to a shift in customer contacts and order volumes to hyperscale cloud providers or other competitors. In addition, it cannot be ruled out that competitors will react more quickly to new or developing technologies or standards and to changes in customer requirements. Increased competition could lead to a loss of sales, lower profitability or a reduction in CANCOM's market share.

In order to counteract these industry and market-related risks, CANCOM continually adapts its organization, its processes and its portfolio of products and solutions to current market conditions and customer requirements. A particular focus in the product and solution portfolio is on the expansion of business areas such as cloud computing and shared managed services. In comparison to the system house business, these business segments are generally characterized by contract terms of several years, which reduces the dependency on short-term changes in the competitive environment. In addition, CANCOM observes market and technology developments in order to identify new trends at an early stage, and is in permanent contact with existing and potential customers to identify their needs at an early stage. As a further countermeasure, CANCOM maintains close links with manufacturers of hardware and software, as well as with distributors and service providers, in order to obtain both conditions which are advantageous to CANCOM in terms of price and technologically leading offers when purchasing goods and services.

The occurrence of the risk of a negative impact of the competitive situation and/or technological change in the IT market on business development cannot be ruled out. After implementing countermeasures, the Management Board estimates the probability of occurrence to be medium. The damage potential is estimated to be medium. Overall, the risk is therefore assessed as medium.

The overall assessment has changed compared to the previous year and has been downgraded to medium. The main reason for the revaluation is the reduced relative potential for damage compared with the CANCOM Group's sales and earnings volume, which has now been achieved.

There are risks from direct sales by manufacturers.

The CANCOM Group is exposed to direct competition from manufacturers of hardware and software. Whereas in the past manufacturers sold their products mainly through middlemen such as CANCOM, there are now business models which facilitate direct sales. If the manufacturers succeed in establishing their direct sales more strongly, this could have a negative effect on the CANCOM Group's net assets, financial position and results of operations.

To counter this risk, CANCOM maintains close contact with potential and existing customers. CANCOM also strives to offer customers added value over direct purchasing from the manufacturer by providing the highest possible quality of service, targeted advice and additional services which manufacturers do not offer.

The occurrence of risk from direct sales by manufacturers cannot be ruled out. After implementing countermeasures, the Management Board estimates the probability of occurrence as medium. The damage potential is estimated to be medium. Overall, the risk is therefore assessed as medium.

The overall assessment has not changed compared to the previous year.

Project and business risks

The companies in the CANCOM Group are exposed to product liability, warranty and compensation risks.

The CANCOM Group and its subsidiaries purchase products, especially hardware and software, from manufacturers or dealers. CANCOM is therefore dependent on these products being of high quality and meeting relevant specifications and quality standards. In the event of defects during the warranty period, CANCOM may, as a matter of principle, hold suppliers harmless. However, due to time delays between the purchase of goods from suppliers and their resale to customers in a project, it is possible that customers may assert warranty claims against the CANCOM Group or its subsidiaries, which CANCOM itself cannot assert against suppliers. In addition, CANCOM itself enters into the warranty obligation for its own products and services.

Further liability, warranty and compensation risks arise from the CANCOM Group's business activities, since CANCOM implements and, if necessary, operates IT solutions for customers in complex installation, system integration, software, operational management and outsourcing projects. In this context, technical problems can arise at the customer's premises, given the complexity of the IT solutions and the depth of integration, which can have a considerable negative effect on the customer's business processes. With the AHP Enterprise Cloud Platform developed by CANCOM, there is a risk, among other things, that the cloud cannot be used by the customer, or cannot be used completely or properly, due to malfunctions, faulty configurations or updates. In addition, failures and errors in data centers in the context of hosting services could lead to restrictions in operation at the customer's premises, or even to interruptions in operation. Since CANCOM sometimes leases space in external data centers, such a risk could also materialize without any fault on the part of the CANCOM Group. Business interruptions both at CANCOM and at suppliers or customers could also be threatened by environmental and natural disasters or comparable events. Business management risks also arise from the failure to identify interruptions, monitoring errors and breaches of obligations agreed with customers to rectify errors immediately under service level agreements. All this can lead to CANCOM being exposed to product liability, warranty and compensation claims, and possibly also to the loss of contractual relationships.

To counter these risks, CANCOM takes numerous precautions to ensure, for example, the operation of cloud services and their provision. These include the use of redundant data centers that are protected against damage by natural forces. The CANCOM Group's data centers also have an information security management system certified to the international ISO 27001 standard, including comprehensive and tested emergency concepts. In addition, CANCOM endeavors to ensure that the contractual arrangements for the service and project transactions affected by this are subject to the usual limitations of liability in the industry. In addition, CANCOM takes out insurance policies to protect itself against liability and damage compensation risks, where economically reasonable.

The occurrence of one or more product liability, warranty or compensation risks cannot be excluded. After implementing countermeasures, the Management Board estimates the probability of occurrence as medium. The damage potential is estimated to be medium. Overall, the risk is therefore assessed as medium.

The overall assessment has changed compared to the previous year and the overall assessment has been downgraded to medium. The main reason for the downgrade is the reassessment of the risk.

Projects of the CANCOM Group could be delayed, cancelled or for other reasons not lead to the hoped-for success. In addition, it is possible that investments and preliminary work already carried out in this way could possibly be lost in whole or in part.

The CANCOM Group carries out IT projects in which IT solutions tailored to a specific customer are planned and implemented. IT projects are often highly complex and require considerable time and money. In this context there are both technical risks in the course of project implementation and risks arising from the drafting of contracts.

During the implementation of projects it cannot be ruled out that they will be delayed, cancelled or for other reasons will not lead to the hoped-for success. Since it is often not possible to agree advance payments or payments on account in projects, the CANCOM Group's services can usually only be invoiced after completion of agreed project sections or after completion of the entire project. The CANCOM Group therefore has to make advance payments, sometimes to a significant extent, when carrying out projects. If a project is delayed or abandoned, this may mean that such investments already made are lost in part or in full, or that services already provided cannot be invoiced. If customers refuse acceptance of projects, whether justified or unjustified, this can also lead to delays in payment or a complete failure to make planned payments.

In the cloud computing service area, a risk also arises from the fact that agreed services may not be provided or guaranteed and that this may result in impairments or failures of any kind for the customer. This can lead to considerable costs and expenses for CANCOM, possibly resulting in contractual penalties, or to the impairment or termination of customer relations.

Larger projects in the service sector lead to increased risks in the scheduling of employees. The loss of large projects can lead to increased costs in the personnel area, as it is often not possible to adequately deploy personnel in other projects or only with a delay to take appropriate measures.

When drawing up contracts for IT projects, fixed prices are sometimes calculated and agreed. There is therefore a risk that, due to incorrect assumptions or the occurrence of unforeseen events, the actual costs and time required will exceed the budget and no adjustment can be achieved by the customer.

In order to counter these risks, enquiries to CANCOM are generally subjected to a review of technical and economic feasibility before a quotation is prepared. In this context, the focus is on ensuring the best possible solution for the customer, but also on taking appropriate account of project risks. There is also an internal review of any contractual risks. Standardized contracts are used wherever possible. During the projects, these are monitored by the project management. To ensure that the agreed services are provided, CANCOM applies various measures and procedures, such as the use of redundant computer centres.

The occurrence of one or more of the risks listed above for the success of projects and the associated investments and upfront expenditures cannot be ruled out. After implementing countermeasures, the Management Board estimates the probability of occurrence as medium. The damage potential is estimated to be medium. Overall, the risk is therefore assessed as medium.

The overall assessment has not changed compared to the previous year.

There are risks from the activity as subcontractor.

CANCOM Group companies are often used as subcontractors in large-scale projects. In this case, they are commissioned by a general contractor to perform partial services as part of the IT services to be provided by the general contractor. In this situation CANCOM is dependent on the general contractor's order. There is the risk of postponements and reductions in the scope of the contract, and also the risk of the general contractor defaulting on payments.

In order to counter these risks, CANCOM is expanding its customer base and is intensively cultivating relationships with and evaluating customers.

The occurrence of the risk from the activity as subcontractor cannot be excluded. After implementing countermeasures, the Management Board estimates the probability of occurrence as medium. The damage potential is estimated to be medium. Overall, the risk is therefore assessed as medium. This risk is particularly relevant for the group segment IT Solutions.

The overall assessment has changed compared to the previous year and has been downgraded to medium. The main reason for the downgrade is the reassessment of the risk.

Risks arise from dependence on major customers.

CANCOM has a broad customer base. However, there is a fundamental risk of dependence on individual major customers in individual sub-segments of the CANCOM Group. A significant reduction in the number of orders from a major customer, or the loss of a business relationship with a major customer, could have a negative effect on the CANCOM Group's business prospects.

To counteract this risk, CANCOM is engaged in permanent sales activities to acquire new customers and to expand existing customer relationships, so that it can compensate for the loss of individual major customers with new business. In addition, the activities of major customers are continuously monitored in all areas - from the receipt of orders to processing in terms of receivables management.

The occurrence of the risk arising from dependence on major customers cannot be ruled out. After implementing countermeasures, the Management Board estimates the probability of occurrence to be medium. The damage potential is estimated to be medium. Overall, the risk is therefore assessed as medium.

The overall assessment has not changed compared to the previous year.

Risks from dependence on suppliers.

CANCOM is dependent on supplies of hardware and software from manufacturers or distributors. Unexpected supply bottlenecks, price increases (for example as a result of market shortages) or reduced supplier bonuses can have a negative impact on sales and earnings, since the inventories in the CANCOM Group's logistics centers are designed for short periods of time for reasons of optimization.

To counteract this risk, CANCOM maintains close contacts with important manufacturers and distributors, and concludes long-term supply contracts where possible and appropriate. CANCOM also works with a broad circle of manufacturers and distributors, so that it can fall back relatively quickly on alternative manufacturers or alternative sources of supply if necessary.

The occurrence of risks arising from dependence on suppliers cannot be excluded. The Management Board estimates the probability of occurrence to be high after implementation of countermeasures. The damage potential is estimated to be high. Overall, the risk is therefore assessed as high.

The overall assessment has not changed compared to the previous year, but the probability of this risk occurring has increased due to the strain on supply chains caused by the corona virus outbreak in 2020.

Storage risks.

The CANCOM Group keeps goods in stock, depending on action plans and sales forecasts, as well as on call orders, in order to be able to deliver. There is a risk of theft or loss, especially in the case of computer and PC goods and small electronic products. There is also a risk of damage or loss during storage that is not covered by insurance. Furthermore, there is a risk that the price of products may fluctuate sharply, in some cases at short notice, and that goods may only be sold below price or not at all, or that call-off quantities may not be accepted in the agreed volumes. This would mean that inventories would have to be written down, with the corresponding negative impact on the CANCOM Group.

To counteract these risks from warehousing, CANCOM is working continuously on optimising the procurement process. On the basis of close cooperation with manufacturers and distributors, CANCOM always strives to keep inventories and warehousing costs as low as possible, on the one hand, and to avoid short-term supply bottlenecks, on the other.

The occurrence of storage risks cannot be excluded. The Management Board estimates the probability of occurrence to be low after implementation of countermeasures. The damage potential is estimated to be low. Overall, the risk is therefore considered to be low.

The overall assessment has not changed compared to the previous year.

Internal risks.

The CANCOM Group's value chain covers all the steps in its business activities, from marketing, consulting, sales, logistics and implementation to training, maintenance and operation of IT solutions. Disruptions within or between these areas, or in work processes, for example in the Support Center or in Managed Services, could lead to problems or even to the temporary cessation of work processes in individual or several areas. In addition, there is a risk of quality problems, particularly in the consulting-intensive areas of the two Group segments IT Solutions and Cloud Solutions.

To counteract these risks, CANCOM controls and manages the provision of advice and delivery of services through employees responsible for customer satisfaction (key account managers). In addition, tools are used to manage resources, and project goals and interim targets for customer orders are defined and monitored. Appropriate insurance policies are in place to cover damage caused by faulty services. In addition, internal processes and procedures are subject to constant monitoring by supervisors in departments and the management of the CANCOM Group. Business continuity management also safeguards operating processes against downtime.

The occurrence of one or more of these internal risks cannot be excluded. The Management Board estimates the probability of occurrence to be low after implementation of countermeasures. The damage potential is estimated to be medium. Overall, the risk is therefore considered to be low.

The overall assessment has changed compared to the previous year and has been downgraded to low. The downgrade is partly a result of the changed risk matrix.

There is a risk of operational disruptions, in particular disruptions to IT systems, which could affect information technology.

The CANCOM Group's success and ability to function depends to a considerable extent on its information technology equipment. Fundamental information technology risks arise both from the operation of computer-supported databases and from the use of systems for inventory management, e-commerce, controlling and financial accounting. Restrictions or failure of these or other internal IT systems or of related external IT systems, whether in part or in full, or delays in restoring operations could in extreme cases bring work processes to a standstill. For example, a goods availability risk could arise if the functionality of IT systems required for a smooth order process is no longer guaranteed. In addition, the CANCOM Group offers its customers computer center services both through its own computer centers and through rented computer centers, and could, due to disruptions, no longer be able to provide the computer center services and any associated services.

Cyberattacks are a particular significant risk for operating procedures and all IT-based processes. It cannot be ruled out that the security measures taken do not provide adequate protection and that CANCOM may also become a victim of cyber-attacks of all kinds. In this context, both internal IT could be impaired or fail completely, and the monitoring of customer systems could become faulty due to management tools that are not fully functional, which could lead to malfunctions at customers' premises, or even to the total failure of customer systems. In addition, it cannot be ruled out that customer information and sensitive, protected data may become public in the course of a cyber-attack. If data centers and their mirrored backup data centers were to fail at the same time, this would mean not only considerable financial damage for the CANCOM Group, but also serious damage to its reputation. Overall, disruptions, including the failure of IT systems and computer centers, could have a negative effect on business operations and on supplier and customer relationships.

In order to counteract these risks, CANCOM makes intensive efforts to ensure the availability of its IT systems and data centers in the best possible way. For example, the computer centers are equipped with modern computer center technology, and the system availability of a redundant computer center ensures that a CANCOM computer center in operation is not down. In addition to measures in computer centers, general failure scenarios are simulated as a preventive measure as part of a company-wide business continuity management system, and protective mechanisms and emergency processes, including their functionality, are created, checked and tested. At the same time, CANCOM uses IT security concepts and tools and regularly reviews the threat situation in the area of cyber-attacks. In addition, the use of the in-house AHP Enterprise Cloud leads to increased security of the IT systems due to its system structure.

The occurrence of one or more of the above-mentioned risks from operational disruptions, in particular IT system disruptions, cannot be ruled out. After implementing countermeasures, the Management Board estimates the probability of occurrence as medium. The damage potential is estimated to be very high. Overall, the risk is therefore assessed as high.

The overall assessment has not changed compared to the previous year.

Risks in connection with the introduction of the ERP system SAP

The CANCOM Group is currently implementing the ERP system SAP throughout the Group. The introduction of SAP may be delayed if various project tasks are not completed or only partially completed, or if deadlines are not met. A delay in implementation may result in additional expenses for the CANCOM Group, for example for external consulting. This could have a sustained and sometimes considerable negative impact on the CANCOM Group's business activities and competitiveness. In addition, if the introduction is incorrect or unsuccessful, or even if the ERP system fails completely, the availability of the web shop or customer connections, for example, and the entire e-commerce process chain could be impaired, and operating activities could not be carried out in whole or in part. Among other things, this could have a negative impact on the processing of customer projects and orders, such as deliveries and invoicing. Technical downtimes could also mean that internal processes such as time recording, invoicing or accounting procedures could no longer be maintained or only partially maintained and carried out, with all the consequences this would entail.

To counteract this risk, CANCOM uses various measures such as experienced employees, project managers for the successful implementation of internal projects, proven administration and control systems, and ensures the highest possible degree of control. Project managers are appointed and a clear definition of project goals and their sub-goals is made in the form of milestones. The project manager monitors the individual steps and drives a rapid implementation of SAP.

A training concept and a corresponding test phase are designed to reduce additional risks.

Regardless of all preventive and countermeasures, it must be noted that a changeover of the ERP system is in any case a significant step for every company, the effects and impacts of which cannot be conclusively assessed. In spite of all measures taken, disruptions to operations could occur in the course of a conversion. Due to the complexity and scope of the SAP changeover, increased expenses with effects on Group profitability cannot be ruled out.

The occurrence of risks from the introduction of the ERP system SAP cannot be ruled out. The Management Board estimates the probability of occurrence to be high after implementation of countermeasures. The damage potential is estimated to be high. Overall, the risk is therefore assessed as high.

The overall assessment has not changed compared to the previous year.

Financial risks

There are financing, liquidity and creditworthiness risks.

A sharp deterioration in the liquidity situation is a significant risk for companies or a risk that could threaten their existence. This also applies to CANCOM SE and the CANCOM Group. In addition, a significant deterioration in business development could result in a need for financing, which would have to be covered either by equity or debt instruments. There would then be a risk that such refinancing would not be successful or, due to the Company's poor credit rating, would only be possible at very unfavorable conditions. An adequate credit rating is therefore a necessary basis, especially for the granting of outside capital, for example by banks, and thus also for the long-term existence of the company. A significant deterioration in creditworthiness therefore represents a major risk to the CANCOM Group's continued existence. Another general financing risk can be posed by financing instruments which are linked to conditions (financial covenants) which, if they are not met, trigger an unplanned payment obligation.

In order to counteract these risks, the core objective of CANCOM's financial management is to ensure liquidity at all times to guarantee day-to-day business operations. In addition, the aim is to optimize profitability and, in connection with this, to achieve the highest possible credit rating to ensure favorable refinancing. In addition to medium-term financial planning, the Group has a monthly liquidity plan. In each case, the planning systems reflect the entire scope of consolidation. As the level of the equity ratio (according to the calculation method used by the banks) is a key indicator for the granting of bank loans, its development is regularly monitored so that any countermeasures can be initiated in good time.

On the balance sheet date, the CANCOM Group had cash and cash equivalents of EUR 364.9 million and credit lines (including guarantee credits) with banks of EUR 39.5 million, of which EUR 32.0 million were freely available on 31 December 2019. The equity ratio was 47.9 percent on the balance sheet date. In addition, the interest-bearing financial liabilities are covered by the liquid funds available on the balance sheet date, so that the CANCOM Group has no net financial debt.

At the time of preparing this risk report, the Management Board is of the opinion that there are no discernible risks from the financing, liquidity or creditworthiness situation that could endanger the continued existence of the company.

The overall assessment has not changed compared to the previous year.

There are risks from changes in exchange rates and interest rates.

The CANCOM Group's international business activities result in cash flows in various currencies. The majority of business is conducted in the euro zone, which is why the currency risk is limited. Nevertheless, a significant devaluation of the euro against other currencies can lead to exchange rate losses. This foreign currency risk has increased as a result of the company acquisitions in the United Kingdom in the financial years 2018 and 2019, as the CANCOM Group now handles a higher volume of business in British currency. Even a devaluation of the British pound could now lead to exchange rate losses. In addition, the UK's withdrawal from the European Union (Brexit) could lead to major changes in the exchange rate. A further potential risk with potentially negative financial effects could arise from changes in interest rates, which could possibly affect loans with variable interest rates or other activities dependent on interest rates.

In order to counter this risk, derivative financial instruments are used to hedge underlying transactions of value, such as currency hedges. Any transactions in different currencies are hedged on a daily basis; underlying transactions are always hedged. Economic hedging relationships were not shown as balance-sheet hedging relationships in the year under review. Dedicated persons are permitted to enter into hedging transactions in amounts subject to approval; approval for overruns is granted by the CFO/Management Board. Treasury activities to optimize purchasing conditions could have negative effects and worsen purchasing conditions in the event of unfavorable hedging. By means of internal financial equalization within the Group, CANCOM continues to reduce the volume of external financing, thereby optimizing the CANCOM Group's interest management, with positive effects on the net interest result. The basis for the advantages of the Group's internal ability to invest and borrow money is the liquidity surpluses of individual Group companies, which are used in the cash management system and can be used to finance the cash requirements of other Group companies internally. In addition to current account credit lines in Germany, CANCOM has only fixed-interest loans. There are only insignificant amounts of liabilities abroad.

The occurrence of risks from changes in exchange rates and interest rates cannot be ruled out. The Management Board estimates the probability of occurrence to be low after implementation of countermeasures. The damage potential is estimated to be low. Overall, the risk is therefore considered to be low.

The overall assessment has not changed compared to the previous year.

There are risks of bad debts.

Bad debt losses can represent a risk. To counteract this risk, CANCOM operates an intensive receivables management system. There are internal guidelines for the allocation of credit limits, both in terms of the absolute limit amounts and in terms of the persons authorized to approve them. As a rule, customers are not supplied until they have been checked. There is also the risk of default on long-term loans or financial receivables.

The occurrence of risks from bad debt losses cannot be ruled out. After implementing countermeasures, the Management Board estimates the probability of occurrence to be medium. The damage potential is estimated to be medium. Overall, the risk is therefore assessed as medium.

The overall assessment has changed compared to the previous year and the overall assessment has increased to medium. The reason for the increase is the reassessment due to the spread of the corona virus.

Personnel risks

There are personnel risks, because the success of the CANCOM Group depends on its ability to build up, recruit and retain sufficiently qualified key personnel and to maintain know-how in the Company.

In particular, but not exclusively, in the business areas of (specialist) sales, consulting, and technical support and operation of IT systems, CANCOM's business success is strongly linked to the professional qualifications and personal skills of its management and employees. Consequently, both the inadequate recruitment and retention of suitably qualified personnel in the Company poses a risk to business development. Another risk is the loss of key personnel with special technical skills or personal qualifications and experience in the Company, whose knowledge and familiarity has a strong influence on CANCOM's success, at least in the short term. If, for example, these employees leave the Company, or for other reasons work for longer periods or no longer at all in the Company, there is a risk of loss of know-how and the CANCOM Group may lose rights to its own software developments.

Irrespective of this, there is a risk that the shortage of skilled workers will make recruitment generally more difficult in the future, or that the skills and qualifications required for CANCOM's own digital transformation will be lacking.

To counter these risks, CANCOM offers measures for employee motivation and development. In addition, regular monitoring of the performance of individual employees identifies high performers, and special attention is paid to them. CANCOM also attempts to retain its employees in the long term by means of various measures. In addition, particularly in sensitive and knowledge-intensive areas, there are appropriate substitution arrangements, so that the unexpected loss of an employee can be compensated for as far as possible, at least in the short term. CANCOM implements measures to strengthen its image as an employer, and offers various qualification and training measures for employees. CANCOM also offers employees a high degree of flexibility by providing them with a future-proof workplace (digital workplace) with simple and secure access to company data and applications, independent of time, place and terminal device, thereby promoting, among other things, its image and attractiveness as an employer for employees of the digital generation. In addition, CANCOM is also endeavoring to tap new human resources abroad, for example through its new subsidiary in Slovakia.

The occurrence of the above-mentioned personnel risks cannot be ruled out. After implementing countermeasures, the Management Board estimates the probability of occurrence as medium. The damage potential is estimated to be medium. Overall, the risk is therefore assessed as medium.

The overall assessment has changed compared to the previous year. The main reason for the downgrade is the reassessment of the risk.

Information risks

The CANCOM Group may not be in a position to protect or keep secret its developments and know-how.

CANCOM believes that the know-how generated by the CANCOM Group's business activities, especially in the development of innovative solutions, represents a significant competitive factor. The competitiveness of the CANCOM Group also depends in particular on securing its technological innovations and the related know-how. The partial or complete disclosure of this know-how to third parties could lead to the erosion of advantages gained over competitors, thereby reducing CANCOM's sales and earnings opportunities.

To counter this risk, CANCOM has taken various organizational precautions to protect confidential information. These range from technical security measures with regard to internal and external communication, to raising employees' awareness of this issue in internal training courses.

The occurrence of the risk of loss of know-how or the outflow of confidential information cannot be ruled out. After implementing countermeasures, the Management Board estimates the probability of occurrence to be medium. The potential damage is estimated to be medium. Overall, the risk is therefore assessed as medium. This risk factor relates primarily to the Cloud Solutions segment.

The overall assessment has not changed compared to the previous year.

Legal risks

There are risks in the event of the (alleged) infringement of third-party property rights.

The CANCOM Group is not aware that it infringes the industrial property rights of third parties in connection with the products, solutions and services it offers. However, it cannot be ruled out that CANCOM may infringe the industrial property rights of third parties in the course of its business operations, that third parties may assert claims against CANCOM for infringement of industrial property rights, or that CANCOM may be sued in the context of legal disputes. This may mean that license payments are necessary, and/or that inventions of the CANCOM Group cannot be used commercially, or can only be used commercially with delay. Successfully asserted claims arising from patent infringements could oblige the CANCOM Group to pay substantial damages. Furthermore, such legal disputes may involve considerable expenditure of time, personnel and money. In addition, even a third party's claim that CANCOM is infringing the industrial property rights of third parties could lead to economic damage, because of the crucial role of industrial property rights in the IT industry.

In order to counteract this risk, it is always the responsibility of CANCOM employees to check that the property rights of third parties are respected. No preventive countermeasures can be taken against the exclusive allegation of a violation of property rights.

The occurrence of risks arising from the (alleged) infringement of third-party property rights cannot be ruled out. After implementing countermeasures, the Management Board estimates the probability of occurrence to be medium. The damage potential is estimated to be medium. Overall, the risk is therefore assessed as medium.

The overall assessment has not changed compared to the previous year.

At the time of preparing this management report, there are no contingent liabilities from significant legal disputes or relevant litigation risks, particularly with regard to the risk described.

There are risks from the violation of national and international data protection regulations.

The use of data by the CANCOM Group, in particular the data of its customers, suppliers and employees, is subject to the provisions of the German Federal Data Protection Act and similar international regulations such as the European Data Protection Regulation. If third parties gain unauthorized access to the data processed by CANCOM or stored as part of its storage solutions, or if CANCOM itself infringes data protection regulations, this could lead, among other things, to claims for damages and damage the reputation of the CANCOM Group.

To counter these risks, the CANCOM Group trains its employees in data protection and has established security standards to protect against unauthorized access to data.

The occurrence of risks arising from a breach of data protection regulations cannot be ruled out. The Management Board estimates the probability of occurrence to be medium after implementation of countermeasures. The damage potential is estimated to be high. Overall, the risk is therefore assessed as medium.

The overall assessment has changed compared to the previous year. The downgrade is partly a result of the changed risk matrix.

At the time of preparing this management report, there are no contingent liabilities from significant legal disputes or relevant litigation risks, particularly with regard to the risk described.

There are risks from the violation of national and international laws or regulations.

Through its operating activities and its status as a company listed on the capital market, the CANCOM Group operates within the scope of a large number of national and international laws and regulations, some of which are complex. For example, CANCOM operates within the scope of national and international financial market regulations such as EMIR, MAR, WpHG, the stock exchange regulations of the Frankfurt Stock Exchange or regulations of the German Federal Financial Supervisory Authority (BaFin), within the scope of national and international labor laws such as the German Law on Temporary Employment, within the scope of national and international tax and corporate law, accounting rules such as IFRS and regulations such as the German Corporate Governance Code. These and other laws and regulations give rise to the risk that CANCOM could violate regulations with negative effects, for example on its business activities or financial position. In addition, tax audits can lead to differing legal opinions on tax-relevant matters and to demands for back taxes and additional charges.

To counter this risk, CANCOM employs qualified staff to assess and implement laws and regulations in all areas of the Company, trains CANCOM employees in legal regulations, and supports training and qualification measures. CANCOM also makes use of external consultancy.

The occurrence of risks from the violation of national and international laws or regulations cannot be ruled out. The Management Board estimates the probability of occurrence to be low after implementation of countermeasures. The potential for damage is estimated to be low. Overall, the risk is therefore considered to be low.

The risk has been reformulated and integrated into the risk report as increasing density and changes in regulations and the expansion of business into the UK (and thus into the BREXIT sphere of influence) now make these risks significant.

Strategic risks

There are risks of misjudgments both with regard to past and future acquisitions of companies and their integration into the CANCOM Group.

The acquisition of companies and equity interests represents a not insignificant risk for the CANCOM Group. There is a risk that acquired companies and the market environment in which they operate may develop worse than planned. There is also a risk that risks may occur or materialize which were not recognized or were incorrectly assessed in the course of the previous audit of the acquired companies. In addition, key personnel of the acquired companies could leave the company as a result of CANCOM's acquisition, so that the loss of these key personnel means that targets that were intended to be achieved by the acquisition can no longer be achieved. There is also the risk that customers of the acquired company will not place orders with CANCOM or conclude corresponding contracts with CANCOM. In addition, the organizational integration of other companies into the CANCOM Group may involve considerable time and financial expenditure. It may also be possible that the strategy on which the acquisition is based, as well as the goals and synergy effects aimed at, may not be realized, or not to the extent planned. The realization of one or more of these risks, even after several years have elapsed, could mean that the investment made is lost in whole or in part, and that it may be necessary to recognize impairment losses on assets in the balance sheet (impairment).

To counteract this risk, CANCOM carries out a due diligence process for every transaction, actively manages potential risks in M&A processes, and draws on the experience of previous acquisitions and corresponding integration know-how. The Company benefits from its many years of in-depth knowledge of the market situation. CANCOM also employs external consultants in M&A processes. In addition, the integration is implemented internally by experienced integration managers, and checklists and documentation are available, so that processes and risks can be recorded in an orderly manner. By concentrating on the core business, CANCOM tries to reduce the risk from acquisitions in new business areas.

The occurrence of one or more risks arising from misjudgments in acquisitions and their integration cannot be ruled out. The Management Board estimates the probability of occurrence to be high after implementation of countermeasures. The damage potential is estimated to be high. Overall, the risk is therefore assessed as high.

The overall assessment has not changed compared to the previous year.

There are risks from the acquisition or sale of companies or shares in companies.

In recent years, the CANCOM Group has acquired or sold a number of companies or shares in companies. There is a risk in the process of buying or selling in the context of contract negotiations or the drafting of contracts. There is also a risk that it may subsequently transpire that certain warranties and/or guarantees and/or obligations entered into by the seller/buyer have not been observed. If this only occurs after the limitation period has expired, and/or if the seller/buyer is unable to settle any claims for damages, this may lead to a loss of assets for the CANCOM Group company concerned. Calculations of sales prices based on results or on future results may also prove disadvantageous to CANCOM.

To counter these risks, CANCOM carries out a due diligence process for every transaction and, when drawing up contracts, uses not only internal resources but also external advice and services for both business and legal issues.

The occurrence of one or more risks from the acquisition or sale of companies or shares in companies cannot be ruled out. After implementing countermeasures, the Management Board considers the probability of occurrence to be medium. The potential damage is estimated to be medium. Overall, the risk is therefore assessed as medium.

The overall assessment has not changed compared to the previous year.

Overall risk assessment

Overall, there were individual changes compared with the previous year in the assessment and presentation of the risks described. A key factor in the assessment of risks in the forecast period was the spread of the corona virus and the protective measures prescribed worldwide. The Executive Board of CANCOM SE points out that this unforeseeable event generally leads to increased uncertainty in risk assessment. Overall, however, these changes and the increased uncertainty do not represent a significant change in the CANCOM Group's overall risk situation. In view of the overall risk situation, the Executive Board of CANCOM SE does not consider the continued existence of the Group and CANCOM SE to be at risk from today's perspective.

In view of CANCOM's position in the market, its business success in the past year, and the risk management system in place, the Executive Board is confident that it will be able to meet the challenges arising from the risks mentioned above successfully in the current financial year as well.

In addition to the confident self-assessment, external assessments also show a positive picture of CANCOM's creditworthiness. LBBW's rating at the end of the 2019 fiscal year was 3 (December 31, 2018: 2). At the same time, UniCredit's internal rating was confirmed by UniCredit as being equivalent to an investment grade rating of BBB by the S&P agency (December 31, 2018: BBB).

Opportunities for future development

Numerous opportunities are opening up for CANCOM in the context of its international business activities in various areas of the IT industry and IT-related fields. In order to identify them, the Group regularly conducts a comprehensive review of the market and competitive environment, focusing on current industry, technology and macroeconomic trends.

An overview of opportunities and possible future developments and events with a positive impact on the CANCOM Group's earnings, financial position and net assets is given below.

Note:
All statements in italics in the following opportunities report are non-verifiable statements within the meaning of IDW PS 350 new version. The statements are therefore not part of the audit by the auditor, as they are subjective assessments of the CANCOM Group.

General market development

The transformation to a digital future is in full swing. *Four major topics run through all the forecasts and dominate the corporate agenda in the coming years: Speed, customer focus, innovation and agility.* Accordingly, the focus is no longer just on optimization and cost reduction. *In the coming years, budgets could also increasingly shift towards topics such as Big Data & Analytics, Internet of Things and Customer Experience.*

The pressure to act is increasing and so companies have to deal with technological changes in order to meet the requirements of their customers and business partners in the future and thus ensure their competitiveness. In the company itself, the focus is on the changed requirements of the employees in the working environment and the internal organization with its structures, processes and services. *IT is the most important driver of innovation in many areas. Due to its high strategic importance, it can be assumed that companies could implement digitization projects already planned even in the event of a possible economic downturn.*

At the same time, the enormous growth of smartphones, tablets and mobile applications has made everyday life and the working world more mobile. These developments have led to increased data and user volumes and have influenced IT to such an extent that IT organizations must undergo fundamental change. This is because conventional IT infrastructures can barely cope with the demands of holding and, above all, using ever increasing amounts of data, nor with the challenges of performance and scalability. On the contrary, new technologies and platforms must be integrated into existing IT landscapes, structures and processes of established companies, which are often characterized by tradition.

The so-called third platform, which is based on cloud, mobile, big data/analytics and social media technologies and which is now receiving additional impetus from other innovation accelerators such as IoT and augmented and virtual reality (AR/VR), has long since entered its second phase. Its development has also gained momentum once again. An exponentially growing innovation force is fueled by platforms, open innovation ecosystems, massive data sharing and modernization, hyper-agile application delivery technologies and a growing number of people working on digital solutions. The improved starting position for digital trust through block-chain technology, the growing number of services and solutions in the field of artificial intelligence (AI), the increasing complexity of human-machine interfaces and a more diverse range of cloud services are also driving development forward.

In addition, the current spread of the corona virus has, in the view of the Management Board, increased the popularity of the home office and the general digitalization of work processes. This creates opportunities, especially for the CANCOM Group's product areas, which offer solutions to these issues. Particularly noteworthy here are, for example, products and services in the area of Unified Communication and Collaboration, but also Digital Workplace or network technologies.

Trends

In 2019, the topic of digital change in the German economy and the associated technologies will continue to dominate the IT market. An important basis for successful digital transformation is agile, flexible and scalable IT infrastructures.

Software-Defined Data Center: IT as a Service (ITaaS)

Software-defined data centers, also known as "virtual data centers", consist of a fully virtualized IT infrastructure that is decoupled from specific physical hardware and can be easily managed automatically by software. In addition, this IT infrastructure, consisting of server, storage and network, can be put together at will (Composable Infrastructure). By abstracting the various infrastructure components, flexible pools of resources can be distributed smoothly and automatically to workloads as required. This makes IT extremely flexible and scalable, and all processes are significantly simplified. With this approach, a flexibility and speed can be achieved in the local data center that is otherwise only possible with cloud computing (cloud-like speed). Software-defined data *centers are the prerequisite for being able to offer IT as a service (ITaaS) and on a usage-dependent basis.* CANCOM has many years of experience and know-how in data centers, both in terms of IT infrastructure and IT services. This could open up promising business opportunities for CANCOM in this trendy area.

Hybrid & Multi Cloud environments: Adoption/Operation via Managed Services

Cloud computing will continue to be a strategic element of digital transformation and the technology basis for new high-tech trends. Even though the positive attitude towards cloud computing and its use has increased strongly among German companies in recent times, companies still want to further increase the use of cloud solutions. Around two thirds of them will be using at least one such application in 2017, according to a survey conducted by the industry association Bitkom in cooperation with KPMG. By 2018, this figure had risen to three quarters. The IT research and consulting firm Crisp Research has also found that a good 80 percent of German small and medium-sized companies are addressing the topic. The functional and cost advantages of cloud services are so high that groups and SMEs will probably quickly shed their previous reluctance to use cloud solutions. There is growing demand here for flexible cloud solutions that allow them to react to demand by making appropriate adjustments.

Single-cloud architectures will be the exception in the future. IDC predicts global spending on cloud services to exceed $500 billion by 2023. Crisp Research also assumes that the majority of German medium-sized companies will find themselves in hybrid and multi-cloud architectures. In a hybrid cloud model, data and applications are made available from internal and external clouds (private and public clouds) or in connection with on-premise services, which may still be sourced from several providers and are thus becoming increasingly complex. Integration know-how and experience is required to create an efficient system from both worlds. This opens up opportunities for providers such as CANCOM, starting with strategic planning, architecture and design, through to implementation and subsequent operation.

The use of services from the public cloud continues to grow rapidly in companies. The path to the public cloud generally leads via hybrid or multi-cloud scenarios, from which private and hosted private cloud environments and corresponding providers of these services, such as CANCOM, should benefit.

Based on the global potential of billions of customers, digital applications are increasingly pushing their way into the classic IT landscape and are accelerating at an ever increasing rate. Managed service providers for public clouds provide access to innovations driven by the public cloud. The automated and intelligent orchestration of heterogeneous systems is becoming a success factor. CANCOM could benefit here with its Cloud Services & Hosting portfolio and its Managed Public Cloud Services.

Against the background of increasing complexity and cost and performance pressure, agile and flexible IT procurement models are very much in demand. But the abundance of possibilities and cloud services is driving "shadow IT". These are good reasons for companies to use a managed service provider such as CANCOM, which assists customers with onboarding and operation via certified employees. But cloud-based solutions alone are not enough to make IT organizations more agile and better support business requirements. Companies need a strategy for an IT-as-a-service model that goes beyond technical aspects. IT-as-a-Service (ITaaS) is a conceptual approach to delivering customized IT services. These can be delivered from enterprise data centers or service providers, they can be obtained from a cloud service provider or elsewhere.

CANCOM is reacting with foresight to market developments and plans to expand its range of products in hybrid and multi-cloud environments. The demand for flexible, agile cloud solutions in all areas of the company could have a positive overall impact on CANCOM's solutions and services business. With its knowledge of complex interrelationships of often historically grown IT structures, many years of project experience and its own Competence Centers for various IT solution topics, in addition to a comprehensive cloud solution portfolio, CANCOM combines transformation and operation of modern IT environments.

Companies are increasingly concerned with the use of mobile devices and the effects on business processes. Without an efficient integration of mobile devices, different operating systems and mobile applications into the corporate IT, smartphones or tablets are only a cost driver without any real added value, up to and including security risks. Increased demand for the use of mobile devices creates opportunities for CANCOM by offering services associated with these devices and systems, such as mobile device management or system integration. On the one hand, mobile access to corporate data promotes the flexibility, mobility and productivity of employees and processes - and thus of the entire company. On the other hand, it also increases the demands on the provision, management and security of corporate IT, which in turn creates demand for CANCOM's services.

Digital workplace

Along with cloud computing, mobility, big data & analytics and security, the digital workplace is a central IT topic for companies. With digital change, the working world is changing. Work-life balance and the possibility of working in flat, interdisciplinary hierarchies are becoming increasingly important. Traditional office workplaces, on the other hand, are becoming less important, and digital workplaces are also located in warehouses or on forklifts, for example. Modern companies also offer their employees flexible working models such as home office. Furthermore, modern working styles, such as those used by many creative agencies and start-ups, right up to large corporations such as Google, with their example of quiet zones, flexible individual workstations, meeting corners for informal voting and workspaces for meetings, as well as IT-based communication solutions for telephone/video conferencing, chats and collaboration solutions, mean that these must be incorporated into the overall Digital Workplace concept.

It is therefore becoming increasingly important to be able to access company data and applications independent of time, place and terminal device. The reason: It is becoming increasingly important for companies to have employees on the road or at different locations who can access data and documents quickly and flexibly via laptop, smartphone and tablet. The user and the user experience are to be placed more in the center of attention. With the increasing demands of the individual Digital Workplace on companies, the chances of greater productivity, lower costs, the containment of shadow IT and increased attractiveness as an employer as part of a future-oriented workplace strategy are also increasing.

In the independent study ISG Provider Lens Germany 2019 entitled "Digital Workplace of the Future", the analysis and consulting company examined the performance of the service providers of digital workplace solutions currently active in Germany. CANCOM was rated "Leader" in 3 of 6 categories in which the company was evaluated, and "Product Challenger" in the remaining categories. The central element is the CANCOM AHP Enterprise Cloud, which provides a mobile and flexible IT workstation environment from the cloud. The CANCOM AHP Enterprise Cloud is a turnkey Enterprise Workplace Architecture for all workstation scenarios. Other standard architectures for mobility and security & governance, developed in-house, supplement the CANCOM Group's holistic portfolio and thus support customers' individual digital workspace strategies. CANCOM's good positioning in competitive comparisons such as ISG and its range of products in the Digital Workplace segment could create opportunities for CANCOM's business development.

Big Data/Analytics: Artificial Intelligence (AI) & Automation

Already today, information reaches us not only in text, audio or video format. Sensor- and context-based data will become increasingly important in the future and will lead to a comprehensive range of data and information flowing at us from all directions and to an increasing complexity of the data world. *Big Data can, for example, provide new social, economic and scientific findings that contribute to improving living conditions in an increasingly complex world. Individual cancer therapy through the systematic evaluation of various medical data in the shortest possible time or the use of high-quality, automated analysis methods to combat crime are just two examples of this.*

Companies should develop suitable strategies and technologies in order to be able to merge and process information from the most diverse, extensive data pools and complex data streams on the one hand, and to gain valuable insights and ultimately benefits for companies and customers from the data on the other.

The timely analysis of large amounts of structured and unstructured data from different sources creates new, data-based business models and strategies. *Especially the business and IT drivers digitization and Internet of Things promote the use of Big Data & Analytics, because the basis of all IoT and digitization projects is data or the evaluation of data.* The main aim here is to identify recurring patterns from the analysis of large amounts of data in order to be able to derive forecasts and even (automated) instructions for action (Smart Services). For example, machines, plants and production processes can be monitored to proactively prevent production downtimes.

So if - as is often quoted - data is the raw material, i.e. the oil of digital transformation, then analytical processes are the refinery, artificial intelligence the gasoline or electricity for e-operation and smart services the car. Consequently, a distinct ecosystem is developing around Big Data & Analytics, consisting of providers of cloud platforms, analytics applications and algorithms, i.e. providers of basic technologies. But in order for user companies to actually use Big Data & Analytics to drive new customer services, product developments and business models, they need a combination of technology, industry and process expertise as well as a strong capacity for innovation from their IT partners. This is where CANCOM can score points with its customers, thanks to its many years of expertise in IT infrastructure and its IoT & Analytics portfolio.

Internet of Things (IoT) & Industrie 4.0

The mobile Internet has long since ceased to belong only to smartphones and tablets. Wearables, connected cars, smart home and other IoT devices: The number of devices through which we access information or communicate with each other is constantly increasing, as is the networking, cooperation and communication between the various end devices. IoT solutions ultimately bring providers closer to their customers and can generate valuable insights into customer behavior by combining several products.

The Internet of Things plays an important role when it comes to the concrete shape of digitization. A key IoT characteristic is its intensive industry focus, or rather application-oriented focus: Topics such as Industry 4.0, Connected Cars, Smart Energy or Smart Health are often no longer limited to individual industries. Industry 4.0 means much more than new, efficient production processes. It is massively changing people's everyday lives. The Internet of Things is causing a major upheaval in ecosystems and the competitive situation in almost all industries, without it being possible to see in detail where the innovations will lead.

There are already examples from companies where today, in parts of a fully networked production plant, people no longer control the machines but the product to be manufactured. Chips and digital assistants built into the raw material ensure that only the specified components are used. If the employee makes a mistake, the system stops immediately. All this is only possible with a continuous data flow and its analysis in real time. Big Data & Analytics has long become the central element in the control of such complex systems. Classical industrial groups such as Bosch or Siemens are developing their own solutions and platforms of the future so as not to lose customer contact. While in recent years the infrastructure side (IaaS) and the application side (SaaS) have often been talked about and written about in connection with cloud computing, the platform idea is now clearly moving into the center of interest among user companies. Platform as a Service (PaaS) is becoming a central element for companies to realize their innovation projects. PaaS offers them access to standardized infrastructure services and development platforms, combined with the option of adding individual extensions to these, in order to set themselves apart from the competition in the rapidly developing market for digital business models, smart services or for services related to the Internet of Things. In this context, it is conceivable that platform offerings will emerge in which different companies in a given industry work together, for example to provide better industry insights or performance in the sense of "industry meeting points".

CANCOM could also benefit with its industry-specific business solutions.

IT security

Because companies depend on IT to function reliably and securely, the topic of IT security is becoming increasingly important worldwide. The number of cyber-attacks on corporate networks is increasing. In the age of mobile working, the cloud and the Internet of Things, a controlled IT security strategy with global reach is required. The aim must therefore be to detect cyber-attacks as quickly as possible.

Big Data has a high potential for opportunities, but also for threats, because applications such as Industry 4.0 or the Internet of Things, the processing or evaluation of sensor data such as in the field of smart energy, smart health or modern traffic management generate large amounts of data that can be worthwhile targets for attackers. There is the threat of dire consequences if IoT attacks succeed in hijacking, for example, the control of networked cars, machinery or even power plants. The topic of IoT security is of great concern to companies. Due to the increasing globalization and digitalization of the economy and society, ever larger amounts of data must be reliably managed and protected. In the course of this, IT security measures must simultaneously evolve and go hand in hand at all levels. Part of the IT security services will therefore have to come from the cloud.

Many companies ask themselves the fundamental question of how secure their data is when they outsource their corporate IT. Cloud computing requires trust in the cloud provider and its processes and measures for information security. Nevertheless, absolute security is not achievable either within the company's own IT or in the cloud. Often, however, the security mechanisms used by cloud providers are more highly standardized, the processes better integrated and the authorization concepts for data more consistently implemented. In addition, cloud service providers regularly undergo security audits for various certifications. CANCOM has DIN ISO 27001 certification (information security). For customers, this means operational excellence in all process sequences and compliance with high technical and security standards.

The question of location remains a decisive criterion when selecting a cloud provider. Cloud providers with data centers and also headquarters in Germany often enjoy a leap of faith over foreign providers or data center locations. A cloud provider such as CANCOM with headquarters in Germany, data centers and servers operated in Germany and subject to German data protection law can therefore possibly represent a competitive advantage over foreign competitors.

Security is the basis for all current and future digital business models. With its broad portfolio of solutions in the field of IT security, ranging from consulting, planning and implementation to managed security services, this opens up opportunities for the CANCOM Group's business development. In addition, CANCOM's professional solutions in the areas of centralization, consolidation and virtualization meet the increasing demands on integrated system landscapes, ensure business continuity and increase the IT efficiency of its customers. CANCOM has developed a security architecture for cloud transformation and the digital workspace to cover the needs of small and medium-sized enterprises, upscale SMEs and enterprise customers.

Blockchain Technology

According to many experts, block chain technologies are a major trend. The more transactions take place online, the more secure technologies companies need to secure their customers' data. Especially in view of the growth potential of the Internet of Things, users need more security. For CANCOM there are opportunities arising from increased demand for consulting and implementation services or for managed services, such as security services.

Overall view of the trends

In the future, the efficient handling of information and data, greater agility and concentration on the respective core competencies will be more than ever essential for the innovative ability and competitiveness of a company. This requires new concepts for work process organization, data security and the design of the working world. To achieve this, companies need service providers who can offer suitable IT components, if possible from a single source, and who can complete these with managed services and scalable cloud solutions. Due to the large number of specific tasks for the design and modernization of IT in companies, both segments of the CANCOM Group and thus the entire Group could benefit from this.

CANCOM combines over two decades of experience in IT consulting and integration with innovative services, provides manufacturer-independent advice and creates economically and technically optimized system infrastructures. Nowadays, companies have to constantly reassess themselves and basically build up a trial-and-error mentality and ability to react in the same way as a start-up. Otherwise they run the risk of increasingly losing their regular customers to new and sometimes even non-industry competitors. The Group faces up to the changes in the market through flexibility as well as the constant optimization and efficient adaptation of the portfolio, structures and processes in the company. Competence centers support the specialization in individual IT areas with dedicated technical know-how. The specific expertise of the specialist distributors is made available to the sales and service units of all CANCOM companies. With its comprehensive service portfolio, CANCOM offers IT solutions and managed services tailored to individual needs, thus creating added value for its customers.

The CANCOM Group's business policy provides for a continuation of the growth course it has embarked on. To this end, it is planned to focus and strengthen existing business activities in the direction of high-quality complete IT solutions, both through organic growth and through acquisitions. This opens up the opportunity for a further increase in sales. By exploiting synergies and economies of scale, for example in the context of improved purchasing conditions and in the area of centralized administrative tasks, as well as better access to major projects, this can contribute to a disproportionately high improvement in earnings. In addition, the expansion of the service business can reduce the dependency on price developments in the hardware sector.

The IT system house market in Germany has been in a strong consolidation phase for years, which CANCOM would like to continue to actively exploit. Against this background, the Group's sound financial position and good financial resources will continue to provide opportunities in the future to expand its market position through suitable acquisitions.

The Executive Board of CANCOM SE is confident that the Group's earning power provides a solid basis for future business development and provides the necessary resources to pursue the opportunities available to the Group. With a view to the forecast period, the Management Board sees particular opportunities for business development in the areas of IT security and digital workplaces.

Forecast

Situation in the IT market and the general economy

Germany is by far the most important sales market for the CANCOM Group, accounting for about 80 percent of its sales. Other important sales markets in terms of sales volume are in Great Britain, Austria, Switzerland, Belgium and the USA. In addition to the general economic development in these national markets, the overall market for information and communication technology – especially in Germany – is also a key factor and basis of comparison for assessing CANCOM's economic development.

	Outlook for gross domestic product 2020*. (change to previous year in %)
Germany	-7.0
Great Britain	-6.5
Austria	-7.0
Switzerland	-6.0
Belgium	-6.9
USA	-5.9

*) Source: International Monetary Fund, April 25, 2020.

Germany

In view of the measures taken to combat the corona pandemic in the eurozone, and thus also in Germany, DZ Bank observed the sharpest economic slump in decades. Expectations for economic development have collapsed for both companies and households. DZ Bank expects the eurozone to experience the worst recession in the post-war period. The International Monetary Fund expects the gross domestic product in Germany to decrease of 7.0 percent.

Great Britain, Austria, Switzerland and Belgium

According to DZ Bank, the United Kingdom is

Corona crisis hit particularly hard. The International Monetary Fund expects the gross domestic product in

United Kingdom a decline of 6.5 percent.

The International Monetary Fund expects the gross domestic product in Austria to decline by 7.0 per cent.

The International Monetary Fund expects the gross domestic product in Switzerland to decline by 6.0 per cent.

The International Monetary Fund expects the gross domestic product in Belgium to decline by 6.9 per cent

All in all, the economic forecasts for 2020 for the above-mentioned markets have therefore deteriorated very sharply.

The United States

The International Monetary Fund expects the gross domestic product in the USA to decline by 5.9 percent. The corona pandemic is also the main reason for the predicted decline in the USA.

ITC market

According to the German association for the ITC industry Bitkom, the market volume for information and communication technology (ITC) in Germany will grow by 2.0 percent in 2020, reaching EUR 164.2 billion. This prognosis, however, did not factor in the effects of the Covid-19 outbreak. For the year 2019, the association predicted growth of 2.5 percent. The current outlook indicates a slowdown in growth in the ITC market. The development is being positively driven by the largest sub-market in terms of volume in the ITC sector, the market for information technology (IT), which is particularly important for CANCOM. Here, Bitkom expects growth of 2.7 percent (previous year: 2.9 percent), which is distributed as follows among the individual market segments:

	Outlook: Market for Information Technology (IT) 2020, Germany* (change to previous year in %)
Software	+ 6.4
IT Services	+ 2.4
IT hardware (including semiconductors)	-0.4

*) Source: Source: Bitkom/EITO, January 2020.

Capgemini's annual survey on IT budgets of companies in Germany, Austria and Switzerland comes to the following conclusions for 2020: 63 percent of the companies surveyed will increase their IT budget in 2020 (previous year: 44 percent). 15 percent of the companies intend to cut their IT budget in 2020 (previous year: 2.5 percent).

Premises of the forecast

The forecasts for the CANCOM Group and CANCOM SE include all the information known to the Executive Board at the time of preparing this report that could have an impact on the development of business. The outlook is based, among other things, on the expectations described above with regard to economic development and the development of the IT market. The Management Board has also integrated the outbreak of the corona virus into the forecast for 2020.

With regard to the CANCOM Group as a whole and the individual Group segments IT Solutions and Cloud Solutions, unforeseeable events could affect the development of the Company or individual Group segments expected from today's perspective. Such events include, for example, the consequences of short-term legal or regulatory changes. Such events are not included in the forecast.

The forecast developments in the key performance indicators relate exclusively to the development of the CANCOM Group in its Group structure on the balance sheet date of 31 December 2019 (consolidated group). Possible acquisitions in the current financial year 2020 are not taken into account.

Forecast for the CANCOM Group

The Executive Board of CANCOM SE expects growth in the 2020 financial year to be slower than last year. The Executive Board believes that the trend towards increasing digitalization in business and administration in all IT markets relevant to CANCOM is intact, so the main reason for this assessment is the outbreak of the corona virus. As the effects of the outbreak of the virus on the global IT supply chains and on existing and potential customers cannot be clearly predicted at the time this forecast is made, the Executive Board of CANCOM SE considers it necessary to make a cautious forecast for the development of the financial performance indicators of CANCOM Group and CANCOM SE. However, explicit reference is made to the increased uncertainty for the economic assumptions of this forecast, both in negative and positive terms.

Against the background of the above-mentioned conditions and premises and the outbreak of the corona virus, the Executive Board of CANCOM SE is forecasting a moderate increase in sales for the CANCOM Group in the 2020 financial year. Group gross profit, Group EBITDA and Group EBITA are also expected to increase moderately compared to the previous year.

For the group segment IT Solutions, the Management Board expects a moderate increase in sales and a moderate increase in gross profit, EBITDA and EBITA.

For the group segment Cloud Solutions the Management Board expects a moderate increase in sales, gross profit, EBITDA and EBITA. In addition, a significant increase in Annual Recurring Revenue (ARR) is expected compared to the figure for December 2019.

Forecast for CANCOM SE

The Group's parent company generates income primarily from profit transfer agreements with subsidiaries and from allocations for management and financing services provided within the CANCOM Group. CANCOM SE is managed on the basis of the key figures of the CANCOM Group. The future economic development of the individual company is directly dependent on the economic development of the Group. The statements in the Group's forecast report therefore apply accordingly.

Munich, April 29, 2020

The Executive Board of CANCOM SE

Rudolf Hotter	Thomas Stark
CEO	CFO

Disclaimer future-oriented statements

This document contains statements which refer to the future the course of business and future financial performance and future events or developments affecting CANCOM and may constitute forward-looking statements. These statements are based on current expectations, assumptions and estimates of the Management Board and other information, currently available to the management, of which many are outside the sphere of influence of CANCOM. These statements can be recognized by the formulations and words like "expect", "want", "assume", "believe", "strive", "estimate", "suspect," "anticipate," "intend," "could." "plan", "should", "will", "predict" or similar terms. In all statements, except for the substantiated facts from the past, these are future-oriented Statements. Such forward-looking statements include other: expectations regarding the availability of products and services, the financial and earnings position, business strategy and the plans of the Management Board for future operating activities, on economic developments and all statements regarding the economic Assumptions. Although these statements were made with great care CANCOM, represented by the Executive Board, may take a decision, the accuracy of expectations, particularly in the forecast report do not guarantee. Various known and unknown risks, Uncertainties and other factors may result in the actual results differ significantly from those which are contained in the forward-looking statements. In this The following influencing factors are among those that are related of importance: External political influences, changes the general economic and business situation, changes the competitive position and situation, e.g. by appearance new competitors, new products and services, new technologies, change in the investment behaviour of customer target groups, etc. as well as changes in business strategy. Should one or more of these risks or uncertainties materialise or should it prove that the underlying Expectations did not materialise or assumptions were incorrect, the actual results, performance and achievements of the company from CANCOM (both negative and positive) significantly from differ from those results which explicitly or implicitly have been mentioned in the forward-looking statement. For the Appropriateness, accuracy, completeness or correctness of Information or opinions contained in this document cannot be guarantee can be given. CANCOM also assumes no obligation and does not intend to use these future-oriented statements or to update them in the event of a different than expected to correct development.

Consolidated balance sheet

ASSETS

(in T€)	Annex	Dec. 31, 2019	Dec. 31, 2018 (adjusted*)	Jan. 1, 2018 (adjusted*)
Current assets				
Cash and cash equivalents	B.1 (A.3.4)	364,853	135,247	157,619
Non-current assets and disposal groups held for sale	B.2 (A.3.5)	1,196	0	360
Trade accounts receivable [1]	B.3 (A.3.6)	274,490	276,164	225,645
Other Current contract assets [2]	B.4 (A.3.7)	1,565	1,320	981
Capitalized short-term contract costs	B.4 (A.3.7)	6,225	0	0
Inventories [3]	B.5 (A.3.8)	45,535	32,118	22,923
Other current financial assets [4]	B.6 (A.3.16)	21,305	14,974	24,240
Other current assets [5]	B.7 (A.3.17)	18,727	12,199	7,597
Total current assets		**733,896**	**472,022**	**439,365**
Non-current assets				
Property, plant and equipment	B.8.1 (A.3.9)	66,029	79,196	60,853
Intangible assets (excluding goodwill)	B.8.2 (A.3.10)	89,089	74,046	56,471
Goodwill and other intangible assets	B.8.3 (A.3.11)	213,577	157,442	115,219
Assets from right of use	B.8.4 (A.3.13)	65,945	37,460	38,862
Financial assets and loans	B.8.5 (A.3.14)	4,005	5,206	6,636
Capitalized long-term contract costs	B.4 (A.3.7)	1,954	1,039	0
Deferred tax assets	B.9 (A.3.15)	7,835	6,070	7,398
Other non-current financial assets	B.6 (A.3.16)	19,468	7,745	8,311
Other non-current assets	B.7 (A.3.17)	3,614	3,055	2,176
Total non-current assets		**471,516**	**371,259**	**295,926**
Assets, total		**1,205,412**	**843,281**	**735,291**

*) See the explanations in section A. 7.3 of the consolidated financial statements.

1) In the consolidated financial statements of the comparative period an amount of T€ 274,410 was reported as of 31.12.2018. This amount was increased by T€ 1,321 to T€ 275,731 as part of the correction of immaterial errors (see section A.7.2 of the consolidated financial statements) (see footnote 4). In the course of the correction of material errors (see section A.7.3 of the consolidated financial statements) there was a further increase of T€ 433 to T€ 276,164.

2) In the consolidated financial statements of the comparative period, an amount of T€ 5,874 was reported as of December 31, 2018. This amount was reduced by T€ 4,554 to T€ 1,320 as part of the correction of immaterial errors (see section A.7.2 of the consolidated financial statements), as the amount of T€ 4,554 was allocated to the balance sheet item "other current assets". Furthermore, an amount of T€ 1,699 was reported in the consolidated financial statements of the comparative period as of December 31, 2018 under the balance sheet item "non-current contract assets", which was allocated to the balance sheet item "other non-current assets" in the course of the correction of immaterial errors (see section A.7.2 of the consolidated financial statements).

3) In the consolidated financial statements of the comparative period, an amount of T€ 32,142 was reported as of 31.12.2018. The correction of immaterial errors (see section A.7.2 of the consolidated financial statements) resulted in a reduction of T€ 24 to T€ 32,118.

4) In the consolidated financial statements of the comparative period, an amount of T€ 16,295 was reported as of December 31, 2018. The correction of immaterial errors (see section A.7.2 of the consolidated financial statements) resulted in a reduction of T€ 1,321 to T€ 14,974.

5) In the consolidated financial statements of the comparative period, the balance sheet item was reported as "Prepaid expenses and other current assets" with an amount of T€ 6,607 as of 31 December 2018. As part of the correction of immaterial errors (see section A.7.2 of the consolidated financial statements), the amount was increased by T€ 4,554 and T€ 24 as a result of reclassifications and reduced by T€ 433 to T€ 10,752. In the course of the correction of material errors (see section A.7.3 of the consolidated financial statements), there was an increase of T€ 1,447 to T€ 12,199.

EQITY AND LIABILITIES

(in T€)	Annex	Dec. 31, 2019	Dec. 31, 2018 (adjusted*)	Jan. 1, 2018 (adjusted*)
Current liabilities				
Current liabilities to banks [9]	B.10 (A.3.18)	7,182	2,657	5,756
Trade accounts payable	B.11 (A.3.19)	319,441	271,478	220,957
Other current financial liabilities	B.12 (A.3.23)	59,158	21,018	15,623
Short-term provisions [10]	B.13 (A.3.21)	1,133	2,141	2,498
Current contract liabilities [11]	B.4 (A.3.7)	32,989	27,031	14,269
Liabilities from income taxes	B.14 (A.3.22)	8,720	6,394	11,101
Other current liabilities[12]	B.15 (A.3.24)	43,091	41,193	32,300
Liabilities in connection with non-current assets and disposal groups held for sale	B.2 (A.3.5)	245	0	770
Total current liabilities		**471,959**	**371,912**	**303,274**
Non-current liabilities				
Non-current liabilities to banks [13]	B.10 (A.3.18)	218	3,389	4,407
Other non-current financial liabilities	B.12 (A.3.23)	126,185	52,831	37,594
Long-term pension provisions	B.16 (A.3.20)	1,969	1,872	2,041
Non-current other provisions [14]	B.13 (A.3.21)	1,412	2,025	1,920
Non-current contractual liabilities[15]	B.4 (A.3.7)	6,910	6,276	5,829
Deferred tax liabilities [16]	B.9 (A.3.15)	19,443	17,121	17,205
Other non-current liabilities [17]	B.15 (A.3.24)	1	115	432
Total non-current liabilities		**156,138**	**83,629**	**69,428**
Equity	B.17			
Capital stock	B.17.1	38,548	35,044	17,522
Additional paid-in capital	B.17.2	374,310	204,742	221,943
Retained earnings including profit/loss carried forward and profit/loss for the period [18]	B.17.3	159,283	145,591	121,274
Other reserves [19]	B.17.4	5,174	233	-236
Non-controlling interests	B.17.5	0	2,130	2,086
Total equity		**577,315**	**387,740**	**362,589**
Liabilities, total		**1,205,412**	**843,281**	**735,291**

*) See the explanations in section A. 7.3 of the consolidated financial statements.

9) In the consolidated financial statements of the comparative period as of 31 December 2018, a total amount of T€ 2,657 was reported under the balance sheet item "Short-term loans and current portion of long-term loans" (T€ 904) and under the balance sheet item "Subordinated loans current portion" (T€ 1,753).

10) In the consolidated financial statements of the comparative period, an amount of approximately T€ 3,235 was reported as of 31.12.2018. In the course of the correction of material errors (see section A.7.3 of the consolidated financial statements), there was a reduction by T€ 1,094 to T€ 2,141.

11) The consolidated financial statements of the comparative period as of 31 December 2018 showed an amount of approximately T€ 22,922. The correction of material errors (see section A.7.3 of the consolidated financial statements) resulted in an increase of T€ 4,109 to T€ 27,031.

12) In the consolidated financial statements of the comparative period, an amount of T€ 40,884 was reported as of 31 December 2018, as the balance sheet item "Prepaid expenses and deferred charges" (T€ 310) was reported separately.

13) In the consolidated financial statements of the comparative period, the total amount of approximately T€ 3,389 reported as of 31 December 2018 was reported under the balance sheet item "long-term loans" (T€ 2,050) and under the balance sheet item "subordinated loans" (T€ 1,338).

14) In the consolidated financial statements for the comparative period, the balance sheet item was reported under "other non-current liabilities" with an amount of € 3,266 thousand as of 31 December 2018. This amount was reduced by T€ 1,241 to T€ 2,025 in the course of correcting significant errors (see section A.7.3 of the consolidated financial statements).

15) In the consolidated financial statements of the comparative period, an amount of T€ 1,964 was reported as of December 31, 2018. In the course of the correction of material errors (see section A.7.3 of the consolidated financial statements) there was an increase of T€ 4,312 to T€ 6,276.

16) In the consolidated financial statements of the comparative period, the balance sheet item was reported as "deferred taxes from temporary differences" with an amount of T€ 15,602 as of December 31, 2018. This amount was increased by T€ 1,519 to T€ 17,121 in the course of the correction of material errors (see section A.7.3 of the consolidated financial statements).

17) In the consolidated financial statements of the comparative period, the balance sheet item was reported as "Prepaid expenses and deferred charges" (non-current).

18) In the consolidated financial statements of the comparative period, the balance sheet item was reported as "Net retained profit (incl. retained earnings)" with an amount of €148,057 thousand as of 31 December 2018. This amount was reduced by T€ 2,466 to T€ 145,591 in the course of the correction of material errors (see section A.7.3 of the consolidated financial statements).

19) In the consolidated financial statements of the comparative period, the balance sheet item was reported as "Equity difference from currency translation and exchange rate difference".In the consolidated financial statements of the comparative period, the total amount reported here as of 31 December 2018 was reported under the balance sheet item "Short-term loans and current portion of long-term loans" (EUR 904 thousand) and under the balance sheet item "Subordinated loans current portion" (EUR 1,753 thousand).

Consolidated Statement of Comprehensive Income

(in T€)	Annex	Jan, 1, 2019 to Dec. 31, 2019	Jan. 1, 2018 to Dec 31, 2018 (adjusted*)
Revenue	C.1 (A.3.2)	1,549,293	1,317,272
Other operating income	C.2	4,813	2,625
Other own work capitalized	C.3	5,707	4,653
Capitalized contract costs	C.4	2,556	1,039
Total output		**1,562,369**	**1,325,589**
Cost of materials/expenses for purchased services	C.5	-1,118,520	-942,059
Gross profit		**443,849**	**383,530**
Personnel expenses	C.6	-263,703	-228,156
Depreciation of property, plant and equipment, intangible assets and rights of use	C.7	-64,861	-39,846
Impairment losses on financial assets including reversals of impairment losses		-199	-146
Other operating expenses	C.8	-60,699	-51,390
Operating result (EBIT)		**54,387**	**63,992**
Interest and similar income	C.9	1,302	957
Interest and similar expenses	C.9	-3,038	-1,936
Other financial result Income	C.10	4,779	596
Other financial result Expenses	C.10	-6,088	-194
Income from investments		0	27
Depreciation of financial assets	C.11	0	-210
Currency gains/losses		-828	122
Income before income taxes		**50,514**	**63,354**
Income taxes	C.12	-15,632	-21,171
Profit after tax from continuing operations		**34,882**	**42,183**
Result from discontinued operations	C.13	1,750	-114
Result for the period		**36,632**	**42,069**
thereof attributable to shareholders of the parent company		36,578	41,941
thereof attributable to non-controlling shareholders	C.14	54	128
Weighted average shares outstanding (units) undiluted		35,293,264	35,043,638
Weighted average shares outstanding (units) diluted [1]		35,302,719	35,043,638
Earnings per share from continuing operations (basic) in €	C.15	**0.99**	**1.20**
Earnings per share from continuing operations (diluted) in € [2]	C.15	**0.99**	**1.20**
Earnings per share from discontinued operations (basic) in €	C.15	**0.05**	**0.00**
Earnings per share from discontinued operations (diluted) in €	C.15	**0.05**	**0.00**
Earnings per share for profit for the period attributable to equity holders of the parent (basic) in €	C.15	**1.04**	**1.20**
Earnings per share from profit for the period attributable to equity holders of the parent (diluted) in € [2]	C.15	**1.04**	**1.20**

*) See the explanations in section A. 7.3 of the consolidated financial statements.

1) In the consolidated financial statements of the comparable period 35,251,953 shares were reported.

2) The consolidated financial statements for the comparable period of the previous year showed earnings per share from continuing operations (diluted) and earnings per share from profit for the period attributable to shareholders of the parent company (diluted) of € 1.21.

(in T€)	Jan. 1, 2019 to Dec. 31, 2019	Jan. 1, 2018 to Dec 31, 2018 (adjusted*)
Result for the period	**36,632**	**42,069**
Other comprehensive income		
Items that are subsequently reclassified to profit or loss for the period		
Gains/losses from the currency translation of foreign operations [3]	4,941	469
Items that are not subsequently reclassified into profit or loss		
Gains/losses from the revaluation of defined benefit plans	-441	-17
Deferred taxes on items that are not reclassified to the result for the period [4]	136	6
Other comprehensive income for the period	**4,636**	**458**
Total comprehensive income for the period	**41,268**	**42,527**
thereof attributable to shareholders of the parent company	41,214	42,399
thereof attributable to non-controlling shareholders	54	128

*) See the explanations in section A. 7.3 of the consolidated financial statements.

3) In the consolidated financial statements for the comparative period, the total amount of EUR 469 thousand was reported under the item "Currency translation differences" (EUR 684 thousand) and under the item "Income taxes" EUR -215).

4) In the consolidated financial statements for the comparative period, the amount of approximately €6 thousand was reported under the item "Deferred taxes from changes in actuarial gains/losses from pensions".

Consolidated Cash Flow Statement

(in T€)	Annex	Jan. 1, 2019 to Dec. 31, 2019	Jan. 1, 2018 to Dec. 31, 2018 (adjusted*)
Cash flow from operating activities			
Net income for the period**		36,632	42,069
Corrections			
+ Depreciation and amortization of property, plant and equipment intangible assets and rights of use		64,861	39,846
+ Depreciation of financial assets		0	210
+ Net interest and other financial results		3,045	549
+ Income taxes		15,632	21,171
+/- Changes in long-term provisions		619	10
+/- Changes in short-term provisions		-1,022	55
+/- Result from the sale of property, plant, intangible assets and equipment and financial assets		-2,062	-690
+/- Changes in inventories		-13,335	-7,909
+/- Changes in trade receivables, contract assets, capitalized contract costs and other assets		-4,711	-36,918
+/- Changes in trade payables and other liabilities		50,649	53,185
- Payments from interest paid		-1,373	-490
+/- Income taxes paid and refunded		-21,393	-29,629
+/- Non-cash expenses and income		1,210	0
+ Equity-settled share-based payment transactions		1,062	473
Total cash flow from operating activities	D.1	**129,814**	**81,932**
Cash flow from investing activities			
- Cash outflows from the acquisition of subsidiaries		-58,959	-59,187
+ Proceeds from cash and cash equivalents acquired in the acquisition of subsidiaries		9,758	5,503
+/- Cash inflow/outflow from the sale of shares in subsidiaries		0	300
- Payments from the acquisition of financial investments		-5	-10
- Payments made for investments in property, plant and equipment, intangible assets and rights of use		-32,489	-33,075
+ Proceeds from disposal of property, plant and equipment, intangible assets and financial assets		28,965	2,445
+ Proceeds from the disposal of securities		0	12,000
+ Proceeds from interest and dividends received		685	91
Total cash flow from investing activities		**-52,045**	**-71,933**
Cash flow from financing activities			
+ Proceeds from the issue of shares or other equity instruments		174,167	0
- Payments for capital increase costs		-3,673	-6

(in T€)	Annex	Jan. 1, 2019 to Dec. 31, 2019	Jan. 1, 2018 to Dec. 31, 2018 (adjusted*)
+ Proceeds from long-term borrowings		221	0
- Payments for the repayment of non-current financial liabilities (including the portion reported as current)		-2,981	-3,598
- Payments from the repayment of leasing liabilities (lessee view)		-11,084	-8,162
+/- Cash inflow/outflow from borrowing/repayment of current financial liabilities		3,420	-2,748
+/- Cash inflows/outflows from financial liabilities to leasing companies		15,370	0
- Cash outflows from interest paid for long-term financial liabilities and leasing liabilities		-756	-595
- Payments from dividends paid		-17,522	-17,551
- Payments for the acquisition of non-controlling interests		-7,242	-146
Total cash flow from financing activities		**149,920**	**-32,806**
Net increase/decrease in cash and cash equivalents		**227,689**	**-22,807**
+/- Effect of exchange rate changes on cash and cash equivalents		1,917	435
+/- Cash and cash equivalents at the beginning of the period		135,247	157,619
Cash and cash equivalents at the end of the period	D.1	**364,853**	**135,247**
thereof			
Cash and cash equivalents from continuing operations		364,853	135,247
Cash and cash equivalents from discontinued operations		0	0

*) sSee the explanations in section A. 7.3 of the consolidated financial statements.

**) In the consolidated financial statements for the comparative period, the cash flow from operating activities was derived from the item in the statement of comprehensive income "Earnings before income taxes". In the consolidated financial statements for the reporting period, the cash flow from operating activities was derived from the item in the statement of comprehensive income "Net income for the period". The result for the period contains the result of discontinued operations and is a result after taking into account income taxes. Accordingly, the item "Cash inflow/outflow from discontinued operations" shown under adjustments in the consolidated financial statements of the comparative period no longer applies here; in addition, the item "Income taxes" was added in the adjustments section.

Consolidated Statement of Changes in Equity

				Retained earnings including profit carried forward and profit for the period			Other reserves			
	Shares	Capital stock	Additional paid-in capital	Retained earnings*	Net income for the period including profit/ loss carried forward	Revaluation of defined benefit pension plans	Currency translation of foreign operations	Total owners of parent company	Non-controlling interests	total equity
	T pieces	**in T€**	**in T€**	**in T€**	**in T€**	**in T€**	**in T€**	**in T€**	**in T€**	**in T€**
January 1, 2018 (before adjustment)	**17,522**	**17,522**	**221,943**	**73,319**	**50,150**	**-302**	**-236**	**362,396**	**2,086**	**364,482**
Error correction**					**-1,892**			**-1,892**		**-1,892**
January 1, 2018 (adjusted)**	**17,522**	**17,522**	**221,943**	**73,319**	**48,258**	**-302**	**-236**	**360,504**	**2,086**	**362,590**
Net income for the period (adjusted**)					41,941			41,941	128	42,069
Other comprehensive income						-11	469	458	0	458
Overall result					**41,941**	**-11**	**469**	**42,399**	**128**	**42,527**
Capital increase	17,522	17,522	-17,522					0		0
Costs of the capital increase			-4					-4		-4
Transfer of net income/retained earnings				20,512	-20,512			0		0
Recognition of share-based payments			325					325		325
Dividend distribution in the fiscal year					-17,522			-17,522	-29	-17,551
Change due to the acquisition of non-controlling interests				-92				-92	-55	-147
December 31, 2018	**35,044**	**35,044**	**204,742**	**93,739**	**52,165**	**-313**	**233**	**385,610**	**2,130**	**387,740**
January 1, 2019	**35,044**	**35,044**	**204,742**	**93,739**	**52,165**	**-313**	**233**	**385,610**	**2,130**	**387,740**
Result for the period					36,578			36,578	54	36,632
Other comprehensive income						-305	4,941	4,636	0	4,636
Overall result					**36,578**	**-305**	**4,941**	**41,214**	**54**	**41,268**
Capital increase	3,504	3,504	170,662					174,166		174,166
Costs of the capital increase			-2,531					-2,531		-2,531
Transfer of net income/retained earnings				30,581	-30,581			0		0
Recognition of share-based payments			1,437					1,437		1,437
Dividend distribution in the fiscal year					-17,522			-17,522		-17,522
Change due to the acquisition of non-controlling interests				-5,059				-5,059	-2,184	-7,243
December 31, 2019	**38,548**	**38,548**	**374,310**	**119,261**	**40,640**	**-618**	**5,174**	**577,315**	**0**	**577,315**

*) In the consolidated financial statements of the comparative period, an amount of EUR -153 thousand was reported in the column "Revaluation reserve (retained earnings)". This amount was offset against retained earnings as of January 1, 2018.

**) See the explanations in section A. 7.3 of the consolidated financial statements.

Notes to the consolidated financial statements

A. General information

1. Basics

The consolidated financial statements of CANCOM SE and its subsidiaries (hereinafter referred to as "CANCOM Group", "CANCOM Gruppe" or "Group") were prepared in the reporting period (financial year 2019) in accordance with the International Financial Reporting Standards or the International Accounting Standards (IFRS/IAS, as applicable in the EU).

The object of CANCOM SE and its consolidated subsidiaries is the design of IT architectures, system integration and the provision of managed services. As a provider of complete solutions, its business activities focus on the sale of hardware and software from well-known manufacturers and, above all, on the provision of IT services. The range of IT services includes the design of IT architectures and IT landscapes, the conception and integration of IT systems and the operation of the systems.

The consolidated financial statements were prepared in euros (€). Unless otherwise indicated, all amounts are stated in thousands of euros (T€). In individual cases, rounding may mean that figures in this report do not add up exactly to the totals stated and that percentages do not add up exactly to the figures shown.

The reporting period covers the period from January 1, 2019 to December 31, 2019 (comparative period: January 1, 2018 to December 31, 2018). The address of the registered office is: Erika-Mann-Strasse 69, 80636 Munich, Germany. CANCOM SE is registered with the Munich Local Court under HRB 203845.

The shares are traded on the regulated market of the Frankfurt Stock Exchange under ISIN DE0005419105 and are admitted to the Prime Standard.

These consolidated financial statements were approved for publication by the Management Board on April 29, 2020.

2. Consolidation and company acquisitions

2.1. Principles of consolidation

Subsidiary

In addition to CANCOM SE as the parent company, the CANCOM consolidated financial statements include domestic and foreign companies over which CANCOM SE exercises control in accordance with IFRS 10 (subsidiaries).

Subsidiaries are fully consolidated from the date of acquisition, i.e. from the date on which the Group gains control; the revaluation method is applied in the CANCOM Group. Consolidation ends as soon as the parent company no longer has control. The financial statements of the subsidiaries are prepared for the same reporting period as the financial statements of the parent company, using uniform accounting policies. Intercompany transactions between Group companies are eliminated in full.

Joint venture

Joint ventures are included in the consolidated financial statements using the equity method. In the case of joint ventures, CANCOM SE has rights to the net assets of the company and manages it together with another party (joint control). The IFRS financial statements of these companies are used as the basis for consolidation using the equity method.

No joint venture was included in the CANCON Group in the reporting period or in the comparable period.

Associated companies

Associated companies are also included in the consolidated financial statements using the equity method. In the case of associates, CANCOM SE has significant influence, i.e. it has the power to participate in the financial and operating policy decisions of the company, but not the power to govern or exercise joint control over the decision-making processes.

No associated company was included in the CANCON Group in the reporting period or in the comparison period.

Non-consolidated structured companies

During the reporting period CANCOM sold a developed plot of land in Jettingen-Scheppach to a leasing property company and then leased it back (sale and leaseback transaction). At the time of the sale, the developed land had a carrying amount of EUR 21,284 thousand. The leasing property company "Duana Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG" is not controlled by CANCOM SE within the meaning of IFRS 10, as it does not have a majority of the voting rights, nor does it have control on the basis of other contractual agreements. The land was sold to the leasing property company by way of a contribution in return for the issue of shares in the company. The sole purpose of the special-purpose leasing company is to hold and manage the leased land for the lease term. The special-purpose leasing company is financed by a bank loan and by the sale of its receivables.

At the end of the reporting period, the CANCOM Group's balance sheet shows the following items in relation to the leasing property company:

(in T€)	December 31, 2019
Share of the shareholders in Duana Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG	5
Rights of use for land and buildings	13,797
Leasing liabilities	16,782
Loan to Duana Grundstücksverwaltungsgesellschaft mbH & Co Vermietungs KG	124

The shareholder's share and the loan are reported in the balance sheet item "Financial assets and loans" and in the balance sheet item "Other non-current financial assets". The rights of use for land and buildings are reported under the balance sheet item "Rights of use". Leasing liabilities are included in the balance sheet item "other non-current financial liabilities" and in the balance sheet item "other current financial liabilities". The maximum risk of loss from the investment in the leasing object company is limited to the shareholder's share and the loan issued to the leasing object company. The loan is intended to offset any losses from changes in the residual book value of the developed land at the end of the leasing period.

2.2. Acquisitions and investments

For the accounting principles applied in company acquisitions, please refer to section A. 3.30 of the consolidated financial statements.

Acquisitions in the reporting period

In March 2019, CANCOM SE acquired 100% of the shares and 100% of the voting rights with a nominal value of EUR 140 thousand in medocino Gesellschaft für vernetzte Systeme mbH, based in Aachen. The date of first-time consolidation was March 1, 2019. The company is an IT system house, had 15 employees (including managing director) at the time of first-time consolidation and generated sales of EUR 3,490 thousand in the 2018 financial year. CANCOM intends to use the acquisition to strengthen its business activities in the Aachen/West region and to achieve a better orientation towards the Benelux countries. The purchase price consists of a fixed cash purchase price of EUR 1,806 thousand and a variable purchase price component (earn-out) of EUR 600 thousand. It consists of two contingent consideration payments based on software service revenue (software component) and the length of service of key employees (employee termination component; this is not linked to the work performed by the share sellers after the acquisition) in the financial years 2019 and 2020, with a maximum limit of EUR 600 thousand (see also section D. 5). In addition, a further employee termination component of EUR 200 thousand was recorded as a separate transaction, as the related payments are dependent on the seller remaining in the company as an employee after the acquisition. The latter employee termination component was accounted for in accordance with IAS 19; at the end of the reporting period, the amount recognized under the balance sheet item "Current provisions" and the amount recognized under the item "Personnel expenses" in the presentation of the profit for the period amounted to EUR 91 thousand. The acquisition resulted in goodwill of EUR 705 thousand, which is not tax-deductible. The reason for the recognition of goodwill is expected synergies from the regional expansion of business activities. In connection with the acquisition, costs of EUR 37 thousand were recognized in the presentation of the net profit for the period under "other operating expenses".

The following table shows the acquired assets and liabilities of medocino Gesellschaft für vernetzte Systeme mbH at the time of initial consolidation on March 1, 2019

(in T€)	Fair value	Book values
Current assets		
Cash and cash equivalents	761	761
Trade accounts receivable	520	520
Inventories	23	23
Other current assets	25	25
Total current assets	**1,329**	**1,329**
Non-current assets		
Property, plant and equipment	91	91
Intangible assets	1,115	2
Rights of use	213	213
Total non-current assets	**1,419**	**306**
Total assets acquired	**2,748**	**1,635**
Current liabilities		
Accounts payable for goods and services	94	94
Other current financial liabilities	81	81
Short-term provisions	9	9
Current contract liabilities	9	9
Liabilities from income taxes	117	117
Other current liabilities	243	243
Total current liabilities	**553**	**553**
Non-current liabilities		
Other non-current financial liabilities	132	132
Deferred tax liabilities	361	0
Total non-current liabilities	**493**	**132**
Total liabilities acquired	**1,046**	**685**
Acquired net assets	**1,702**	**950**

The gross book value of the trade receivables of medocino Gesellschaft für vernetzte Systeme mbH recorded at the time of initial consolidation amounts to € 520,000; the resulting cash flows are classified as recoverable in almost their entirety at the time of initial consolidation.

The sales revenue of medocino Gesellschaft für vernetzte Systeme mbH included in the CANCOM Group's sales revenue in the reporting period since the date of first-time consolidation (March 1, 2019) amounts to EUR 3,201 thousand; the profit included in the CANCOM Group's profit for the period amounts to EUR 643 thousand. If the acquisition of medocino Gesellschaft für vernetzte Systeme mbH had taken place at the beginning of the reporting period (January 1, 2019), the CANCOM Group's sales revenues for the whole reporting period would have been EUR 1,549,801 thousand; the profit for the reporting period would have been EUR 36,704 thousand.

In October 2019, CANCOM SE, through its subsidiary CANCOM LTD, acquired 100 percent of the shares and 100 percent of the voting rights in Novosco Group Limited, Belfast (United Kingdom), which in turn holds 100 percent of the shares/voting rights in both Novosco Ltd, Belfast, and Novosco Limited, Dublin (Ireland). Novosco Group Limited and its subsidiaries support their customers primarily with managed services and cloud-based services. The Group is also a provider of IT consulting and other services. With this acquisition, CANCOM intends to expand its business activities in the field of managed services in Great Britain and Ireland. The transaction gives CANCOM direct market access in Ireland for the first time. The acquisition also gives the CANCOM Group just under 250 specialist employees. CANCOM expects that the transaction will lead to a dynamic increase in annual recurring revenues. Novosco Group Limited (including all its subsidiaries) had 269 employees at the time of initial consolidation, and achieved sales of £37,633 thousand in the financial year 2018.

The purchase price for Novosco Group Limited (including all subsidiaries) consists of a fixed purchase price of £ 42,185 thousand (EUR 47,948 thousand) paid in cash and variable purchase price components, which are recognized as contingent consideration in accordance with IFRS 3, of £ 18,013 thousand (EUR 20,474 thousand). In connection with the acquisition of shares in Novosco Group Limited, some shareholders exchanged some of their shares for shares in CANCOM LTD. A total of 917,211 shares in CANCOM LTD were granted. CANCOM LTD has therefore increased its capital by £ 13,507 thousand (EUR € 15.352 thousand). The shareholders concerned now hold 8.07 percent of CANCOM LTD. Put/call agreements have been concluded for the acquisition of this 8.07 percent, resulting in a variable purchase price component of £ 23,452 thousand (EUR 26,656 thousand), calculated on the basis of the planned results of the CANCOM LTD sub-group at the time of acquisition of the shares, multiplied by a factor (multiple) and discounted at a borrowing rate which takes account of CANCOM SE's credit risk. As CANCOM has applied the so-called "Anticipated Acquisition Method", the non-controlling interests of 8.07 percent are considered to have already been acquired. Accordingly, the call option is no longer accounted for. The put option- is accounted for as a "synthetic liability" in accordance with IAS 32.23, and is therefore measured for the first time at the present value of the repurchase amount. CANCOM assigns the synthetic liability to the measurement category "at amortized cost" for subsequent measurement, i.e. the amount of the obligation is recalculated periodically and compounded using the original borrowing rate. The total consideration transferred for the acquisition of the shares in Novosco Group Limited (including all subsidiaries) amounts to £ 83,650 thousand (EUR 95,078 thousand).

The acquisition resulted in goodwill totaling £ 56,792 thousand (€ 64,551 thousand), which is not tax deductible. The calculation of goodwill was based on the assumption that 100 per cent of the shares and voting rights were acquired, since the acquisition of the remaining 8.07 per cent of CANCOM LTD was irrevocably fixed at the time of initial consolidation by the conclusion of put/call agreements. It was therefore assumed that the options had already been exercised at the time of initial consolidation. Under the put/call agreements, the shares of the non-controlling shareholders will be transferred to CANCOM LTD by 31 December 2026 at the latest. The reason for the recognition of goodwill is expected synergies from business activities in the UK/Ireland region. The acquisition enables the CANCOM Group to systematically expand its expertise and regional positioning in this region, including direct market access in the north of the UK and in Ireland. The significant expansion of the Managed Service business and the associated expected increase in annual recurring service revenues will play a particularly important role here. This is supported, among other things, by a Managed Service contract with a term of several years and a high order volume. In connection with the acquisition, costs of £ 717 thousand (€ 817 thousand) were recognized in the presentation of the profit for the period under "other operating expenses".

The following table presents the acquired assets and liabilities of Novosco Group Limited (with all subsidiaries) as of the date of initial consolidation, October 1, 2019

(in T€)	Fair value	Book values
Current assets		
Cash and cash equivalents	8,974	8,974
Trade accounts receivable	8,043	8,043
Current contract assets	15	15
Capitalized short-term contract costs	4,212	4,212
Inventories	2	2
Other current financial assets	2	2
Other current assets	1,175	1,175
Total current assets	**22,423**	**22,423**
Non-current assets		
Property, plant and equipment	8,364	8,364
Intangible assets	22,297	174
Rights of use	2,028	2,028
Deferred tax assets	296	296
Other non-current assets	9	9
Total non-current assets	**32,994**	**10,871**
Total assets acquired	**55,417**	**33,294**
Current liabilities		
Current liabilities to banks	191	191
accounts payable for goods and services	7,432	7,432
Other current financial liabilities	729	729
Current contract liabilities	8,764	8,764
Liabilities from income taxes	613	613
Other current liabilities	1,240	1,240
Total current liabilities	**18,969**	**18,969**
Non-current liabilities		
Other non-current financial liabilities	1,899	1,899
Non-current contractual liabilities	58	58
Deferred tax liabilities	3,964	203
Total non-current liabilities	**5,921**	**2,160**
Total liabilities acquired	**24,890**	**21,129**
Acquired net assets	**30,527**	**12,165**

The gross carrying amount of the trade receivables of Novosco Group Limited (including all subsidiaries) recorded at the date of initial consolidation amounts to EUR 8,043 thousand; the resulting cash flows are classified as recoverable in almost the full amount at the date of initial consolidation.

The sales revenue of Novosco Group Limited (with all its subsidiaries) included in the CANCOM Group's sales revenue in the reporting period since the date of first-time consolidation (October 1, 2019) amounts to EUR 12,482 thousand; the profit included in the CANCOM Group's profit for the period amounts to EUR 2.147 thousand. If Novosco Group Limited had been acquired at the beginning of the reporting period (January 1, 2019), the CANCOM Group's sales revenues for the whole period under review would have been EUR 1,596,895,000; the profit for the period under review would have been EUR 39,974,000.

Acquisitions from previous periods

The contingent consideration arising from the acquisitions in the comparative period and from previous periods (CANCOM Synaix GmbH, Ocean Intelligent Communications Ltd) and the obligations under put/call agreements and synthetic liabilities (CANCOM Ocean Ltd, CANOM UK Holdings Limited) developed as follows in the reporting period:

(in T€)	CANCOM Synaix GmbH	Ocean Intelligent Communications Ltd
As of January 1, 2019	4,374	559
Change from revaluation	0	-570
Access	0	0
Disposals/Compensations	-4,374	0
Exchange rate differences	0	11
As of December 31, 2019	**0**	**0**

2.3. Consolidated companies

All subsidiaries were included in the CANCOM Group's consolidated group. In the period under review there were 31 subsidiaries (previous year: 32 subsidiaries), of which 7 were in Germany and 24 abroad (previous year: 11 in Germany and 21 abroad).

medocino Gesellschaft für vernetzte Systeme mbH was merged with CANCOM GmbH by merger agreement dated May 2, 2019. The merger was entered in the commercial register of CANCOM GmbH on May 15, 2019.

By merger agreement dated June 27, 2019, PIRONET NDH Beteiligungs GmbH was merged with CANCOM Managed Services GmbH (formerly Pironet AG). The merger was entered in the commercial register of CANCOM Managed Services GmbH on July 11, 2019. As a result of this merger, CANCOM Pironet AG & Co. KG has accrued to CANCOM Managed Services GmbH.

CANCOM Synaix GmbH was merged with CANCOM Managed Services GmbH by merger agreement dated June 27, 2019. The merger was entered in the commercial register of CANCOM Managed Services GmbH on July 19, 2019.

PIRONET Enterprise Solutions GmbH was merged with CANCOM GmbH by merger agreement dated June 27, 2019. The merger was entered in the commercial register of CANCOM GmbH on August 8, 2019.

Under the spin-off agreement of July 18, 2019, the "Managed Services" part of CANCOM GmbH was transferred to CANCOM Managed Services GmbH. The spin-off was entered in the commercial register of CANCOM GmbH on September 2, 2019.

On October 13, 2019, the shareholding of CANCOM SE in CANCOM LTD changed from previously 100 percent to 96.34 percent. The previous 1 share at a nominal value of £ 1 was split into 10,000,000 shares at a nominal value of £ 0.0000001. At the same time a capital increase of 379,978 to 10,379,978 shares took place. The new shares were issued to the existing non-controlling shareholders of CANCOM UK Holdings Limited, who acquired them in exchange for their shares in CANCOM UK Holdings Limited. Following this transaction, CANCOM LTD held 100 percent of the shares in CANCOM UK Holdings Limited.

On October 14, 2019, the shareholding of CANCOM SE in CANCOM LTD changed again from 96.34 percent to 87.99 percent. In connection with the acquisition of Novosco Group Limited, there was a capital increase of 917,211 shares. In addition, 67,908 shares were issued to an employee of Novosco Ltd, who previously held no shares in Novosco Group Limited. The total number of shares is now 11,365,097 at a nominal value of £1.14.

The list of shareholdings in accordance with § 313 HGB is part of the notes to the consolidated financial statements and is published together with the consolidated financial statements in the Federal Gazette.

All fully consolidated subsidiaries included in the consolidated financial statements have a reporting date of December 31, 2019 (comparative period: December 31, 2018).

2.4. Major subsidiaries

The following table lists the main subsidiaries of the CANCOM Group:

Name of the subsidiary	Seat of the company	Participation rate in %
CANCOM GmbH	Jettingen-Scheppach	100.00
CANCOM on line GmbH	Berlin	100.00
CANCOM Managed Services GmbH	Munich	100.00
CANCOM UK Limited	Wisborough Green (Great Britain)	87.99
CANCOM a + d IT solutions GmbH	Perchtoldsdorf (Austria)	100.00
CANCOM ICT Service GmbH	Munich	100.00
Novosco Ltd	Belfast (United Kingdom)	87.99
HPM Incorporated	Pleasanton (USA)	100.00

2.5. Translation of foreign currency financial statements

The assets and liabilities of subsidiaries whose functional currency is not the € are translated at the closing rate. The functional currency is the currency of the primary economic environment in which the subsidiary operates. Items included in the result for the period are translated at the average exchange rate during the year. Equity components of subsidiaries are translated at the corresponding historical exchange rate at the time they were created. The currency differences resulting from the translation are recognized within equity under the item "other reserves" (i.e. in other comprehensive income in the statement of comprehensive income and not in net income for the period).

The exchange rates for the translation of significant foreign currency financial statements developed as follows in the reporting period and in the comparable period in relation to the euro:

Currency	2019	2018
US Dollar ($)		
Closing rate	1 € = 1.1234 $	1 € = 1.1450 $
Average price	1 € = 1.1196 $	1 € = 1.1815 $
Swiss franc (Fr)		
Closing rate	1 € = 1.0854 Fr	1 € = 1.1269 Fr
Average price	1 € = 1.1127 Fr	1 € = 1.1549 Fr
British pound (£)		
Closing rate	1 € = 0.8508 £	1 € = 0.8945 £
Average price	1 € = 0.8773 £	1 € = 0.8848 £

3. Explanation of the recognition and measurement methods

3.1. General principles

The balance sheet items in the consolidated financial statements are predominantly measured on the basis of amortized cost. In particular, derivative financial instruments, plan assets for pension obligations and certain balance sheet items acquired in the course of company acquisitions are measured at fair value.

Individual items of the statement of comprehensive income and the balance sheet have been combined to improve the clarity of presentation. These items are explained in the notes.

The statement of comprehensive income consists of a presentation of the result for the period (income statement) and a presentation of other comprehensive income. The presentation of the result for the period is structured according to the nature of expense method. This involves comparing the total expenses incurred in the period with the total operating performance for the period. The latter comprises total revenues plus other operating income, other own work capitalized and capitalized contract costs. The expenses are broken down by cost type. The presentation of other comprehensive income includes expenses and income that are to be recognized in equity (in the item "other reserves") outside the result for the period. If necessary, the amounts recognized in equity are subsequently reclassified to the profit or loss for the period.

Assets and liabilities are classified in the balance sheet according to their maturity into non-current (for maturities of more than one year) and current.

3.2. Revenue recognition

IFRS 15 is to be applied to the recognition of revenue from contracts with customers. The standard contains a principle-based five-level model that is to be applied to all contracts with customers. According to this five-tier model, the contract with the customer must first be determined (step 1). In step 2, the independent performance obligations of the contract must be identified. Then (step 3) the transaction price is determined, with explicit provisions for the treatment of variable consideration, financing components, payments to the customer and barter transactions. Once the transaction price has been determined, step 4 must be used to allocate the transaction price to the individual service obligations. This is based on the individual sales prices of the individual service obligations. If, in exceptional cases, it is not possible to determine them on the basis of such market prices, the individual selling prices are derived using suitable methods that comply with the requirements of IFRS 15. Finally (step 5), the proceeds can be recognized if the performance obligation has been fulfilled by the company. The prerequisite for this is the transfer of control of the goods or services to the customer. In addition, within the framework of step 5 it must be determined for each performance obligation identified at the start of the contract whether it will be fulfilled over a certain period of time or at a certain point in time. According to IFRS 15, the first period of time is only fulfilled if the customer uses the service at the same time as CANCOM provides it, if the customer gains power of disposal while CANCOM is already creating/improving an asset, or if CANCOM creates a customer-specific asset (without alternative use) and CANCOM has a legal claim to payment for the services already provided. If one of these three circumstances applies, revenue is recognized according to the stage of completion (or the percentage of completion method). To this extent, the revenue is distributed over several periods if necessary. By contrast, revenue from the timely fulfilment of the performance obligation is recognized in full in the period in which the customer acquires control of the promised asset; indicators of this are, for example, when a customer has accepted the asset or it has become its physical owner.

In addition to the five-step model for revenue recognition, IFRS 15 contains further regulations. Of particular relevance to the CANCOM Group are the rules on capitalized contract costs (see section A. 3.7 of the consolidated financial statements), on obligations to perform as principal or agent, and on guarantees and warranties.

The rules on performance obligations as principal or agent address the question of whether the performance obligation consists in delivering the goods or providing the service itself (so that the company acts as principal) or whether it consists in entrusting another party with the delivery of the goods or provision of the service (so that the company acts as agent). Under IFRS 15, an entity can be a principal only if it has control of the goods or services before the transfer of a committed good or service to a customer. In addition, a number of other indicators that require interpretation are used to determine the principal/agent status. For example, it is necessary to examine who is essentially responsible for the service obligation (the company itself or through subcontractors on behalf of the company argues for principal status; another party argues for agent status). It is also necessary to analyses who bears the inventory risk and the default risk (the company itself is a principal; another party is an agent). In addition, it must be determined how the pricing is determined (at the discretion of the company, this would be a principal status; at the discretion of another party, this would be an agent status). Classification as a principal means that revenue is recognized in the amount of the consideration expected to be received in exchange for the transfer of the goods or services in question - i.e. as a gross amount. The gross revenue is reported in the statement of comprehensive income under "Revenue" and compared with the corresponding cost of materials or cost of purchased services. By contrast, classification as an agent results in the company only recognizing revenue in the amount of the fee or commission it expects to receive in exchange for instructing the other party to deliver its goods or provide its services - i.e. as a net amount. In the case of CANCOM, this is recognized in the statement of comprehensive income under the item "Revenue".

An assessment of whether CANCOM is classified as a principal or agent arises at CANCOM primarily in connection with the sale of hardware or software, where the customer has the option of obtaining additional services (for example in the form of maintenance contracts, guarantees or warranties) from the hardware/software manufacturer. Up to now CANCOM has taken the view that it should act as a principal in the sale of such services. The corresponding sales revenues were shown as a gross amount in the statement of comprehensive income, and were recognized when they were received. After renewed examination, CANCOM has come to the conclusion that classification as an agent is more in keeping with the rules, which are subject to interpretation. Consequently, such additional services purchased from the manufacturer are recognized at net amount in the reporting period and in the comparative period; this has resulted in a correction of the gross amounts originally recognized in the comparative period (see section A. 7.3 of the consolidated financial statements).

With regard to guarantees and warranties, IFRS 15 requires a distinction to be made as to whether the guarantee or warranty is an assurance of the contractually agreed product specification (i.e. a functional guarantee) or a service that goes beyond the assurance of the contractually agreed product specification (i.e. an additional service). The former functional guarantees exist in particular if the company is financially liable under law for damage caused by its products. For them, it must be examined whether a provision should be recognized in accordance with IAS 37 (see section A. 3.21 of the consolidated financial statements). In the case of warranties that go beyond the contractually agreed product specifications, the customer can regularly choose whether to purchase the warranty or guarantee separately. It is therefore a separately identifiable service that must be recognized as a separate service obligation in accordance with IFRS 15 (see step 2 above) and to which a portion of the transaction price must be allocated (see step 4 above). Fulfilment takes place either on a time or date basis (see step 5 above). CANCOM regularly records guarantees as additional services when selling hardware or software in connection with the sale of additional services - especially in the form of guarantees or warranties (see above).

The CANCOM Group distinguishes between the following sales categories:

- Sale of hardware and software;
- Provision of services, such as IT strategy consulting, IT services and support

Sale of hardware and software

Contracts for the sale of hardware and software are examined in the CANCOM Group to see whether they contain independent performance obligations. This is the case, for example, if the contract includes a service component in addition to the delivery of goods. Revenue from the sale of hardware and software is recognized when the power of disposal over the relevant goods is transferred to the customer. The latter is usually the case when the hardware/software is transferred to the customer. The sale of hardware and software usually involves performance obligations that are fulfilled at a certain point in time. The consideration is usually fixed and contains no variable components. Significant financing components are generally not included in the contracts. Invoicing to the customer takes place when the revenue is recognized. Invoices are usually payable within 30 days.

In connection with the sale of software, CANCOM has adapted to the performance requirements of the capital goods market and is increasingly acting as a solution provider instead of simply as a broker of license sales. Consequently, the sales revenues concerned must be reported at the amount which corresponds to the consideration for the transfer of the goods/services concerned - i.e. the gross amount.

Provision of services, such as IT strategy consulting, IT services and support

CANCOM CANCOM is also examining contracts for the provision of services with a view to establishing independent service obligations. Revenue from service contracts is usually recognized over the period in which the work is performed, as the obligation is usually fulfilled when the benefit resulting from the service is transferred. In cases where CANCOM is obliged to be ready or to provide the service (for example, support/service contracts), sales are recognized ratably over the term of the contract. In addition, input-based methods are used to determine the stage of completion, i.e. sales are realized in accordance with the ratio of costs incurred (or resources used) to the expected total cost of providing the service. According to the CANCOM Group's management, these input-based methods are appropriate procedures for determining the progress of service components. Invoicing to the customer usually takes place when the revenue is recognized. Invoices are usually payable within 30 days. As a rule, services are priced separately; if this is not the case, the transaction prices are split on the basis of the relative individual selling prices.

3.3. Recognition of expenses and other income

Operating expenses are recognized in the income statement when the service is used or at the time they are incurred.

Interest to be paid or received is recognized as income or expense on an accrual basis; the effective interest method is used for this purpose in accordance with IFRS 9. Interest expenses incurred in connection with the acquisition and production of certain assets are only capitalized if they are qualifying assets in accordance with IAS 23. Interest expense (CANCOM is the lessee) or interest income (CANCOM is the lessor) arising in connection with leases (see also section A. 3.27 of the consolidated financial statements) is recognized in accordance with IFRS 16 at a constant interest rate on the remaining lease liability or as a constant periodic rate of return on the lessor's net investment.

In accordance with IFRS 9, dividends are recognized as income when the legal claim arises.

3.4. Cash and cash equivalents

Cash and cash equivalents are financial instruments (see also section A. 3.25 of the consolidated financial statements); they are accounted for in accordance with IFRS 9. CANCOM assigns them to the measurement category "financial assets measured at amortized cost". Cash and cash equivalents comprise bank balances, cash in hand and short-term deposits with banks with an initial residual term of up to three months. The amortized cost is regularly equal to the nominal value. Cash and cash equivalents are generally subject to the impairment provisions of IFRS 9, i.e. expected credit losses must be recognized for the items.

3.5. Non-current assets and disposal groups held for sale

The balance sheet item "non-current assets and disposal groups held for sale" includes non-current assets and disposal groups classified as "held for sale" in accordance with IFRS 5. Such classification is to be made if the associated carrying amount will be recovered principally through a sale transaction rather than through continuing use. In addition, the items must be available for immediate sale in their present condition and the sale must be highly probable and expected within one year.

As long as a non-current asset is classified as "held for sale" or belongs to a disposal group classified as "held for sale", it is not subject to scheduled depreciation. Non-current assets or disposal groups classified as "held for sale" must be measured immediately after classification and on subsequent reporting dates at the lower of carrying amount and fair value less costs to sell.

If a non-current asset ceases to be classified as held for sale or is no longer part of a disposal group classified as held for sale, it is reclassified as a non-current item and is measured either at recoverable amount or, if lower, at its carrying amount before classification, adjusted for any depreciation, amortization or revaluation that would have been recognized if it had not been classified.

3.6. Trade accounts receivable

Trade receivables are financial instruments (see also section A. 3.25 of the consolidated financial statements); they are accounted for primarily in accordance with IFRS 9, whereby the items are initially measured at the transaction price in accordance with IFRS 15. CANCOM assigns trade receivables to the measurement category "financial assets measured at amortized cost". The value adjustment rules of IFRS 9 must be applied to the items; the simplification model is used here, which allows simplified methods of determining expected credit losses using value adjustment matrices.

3.7. Contract assets, capitalized contract costs, contract liabilities

Contract assets, capitalized contract costs and contract liabilities are balance sheet items that arise in connection with the realization of sales in accordance with IFRS 15 (see section A. 3.2 of the consolidated financial statements).

Contractual assets exist if CANCOM has fulfilled its obligation to perform, but the customer has not yet paid the consideration. In contrast to claims, contractual assets are conditional claims, i.e. the customer has not yet accepted the goods. Contractual assets are subject to the value adjustment provisions of IFRS 9; CANCOM uses the simplification model and simplified methods to determine expected credit losses by means of value adjustment matrices. Contractual liabilities exist if CANCOM has not yet fulfilled its obligation to perform, but has already received the consideration from the customer.

IFRS 15 differentiates between contract costs, i.e. initiation costs or contract acquisition costs and contract performance costs. Additional contract acquisition costs - i.e. those which CANCOM would not have incurred if the contract had not been concluded - must in principle be capitalized under IFRS 15, provided that the costs are expected to be offset. However, CANCOM recognizes additional initiation costs immediately as expenses when they arise, if the term of the contract or the depreciation period is less than one year. According to IFRS 15, contract performance costs must be capitalized if the costs directly relate to the contract, if they generate resources that will be used to perform the contracts, and if the costs are expected to be offset - unless the costs fall within the scope of another standard. CANCOM specifies the capitalization criterion "expected settlement of costs" in such a way that the contract either had to have been concluded by the relevant reporting date, or, from the point of view of the management entrusted with the conclusion of the contract, is highly likely to be concluded in the near future. Furthermore, the sales revenues associated with the contract must significantly exceed the planned direct costs in order for the capitalization criterion of the expected settlement of costs to be met.

Contract acquisition costs to be capitalized and contract performance costs to be capitalized are recorded in the CANCOM Group under the balance sheet items "short-term capitalized contract costs" and "long-term capitalized contract costs". These items include capitalized own and third-party services (design and conception, installation and service provision costs, and legal consultancy costs). The costs capitalized in this way are subsequently reversed or amortized on a straight-line basis over the term of the contract upon fulfillment of the customer contract. Impairment losses are also recognized where necessary.

In the result for the period, the expenses are neutralized accordingly in the item "Capitalized contract costs" when they are entered in the balance sheet. Depreciation and any impairment of capitalized contract costs are also reported in the result for the period under the item "Capitalized contract costs".

3.8. Inventories

In accordance with IAS 2, inventories are generally measured at the lower of cost and net realizable value. The acquisition costs are relevant for CANCOM. The cost of inventories includes all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. The acquisition costs are determined on the basis of a weighted average value.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale. If the reasons that led to an impairment of inventories to net realizable value cease to apply, the impairment loss is reversed accordingly. Impairment losses and reversals of impairment losses on inventories are reported within the presentation of the result for the period under "Cost of materials/cost of purchased services".

3.9. Property, plant and equipment

In accordance with IAS 16, property, plant and equipment is initially recognized at cost and subsequently depreciated on a straight-line basis over its expected useful life. Cost includes the purchase price, all directly attributable costs, estimated costs for future disposal and restoration obligations and borrowing costs, provided that these are to be capitalized in accordance with IAS 23.

Scheduled depreciation is based on the following useful lives:

- Buildings on third-party land: 50 years;
- Buildings on own land: 30-33 years;
- Operating and office equipment: 3-14 years.

The appropriateness of useful lives is reviewed regularly. If necessary, adjustments to the useful lives are made. As a matter of principle, depreciation commences at the time when the asset is ready for use. If, in accordance with IAS 36, there are indications of impairment and the recoverable amount is below amortized cost, the items are written down on a non-scheduled basis (see also section A. 3.12 of the consolidated financial statements). If the reasons for the impairment no longer apply, the impairment loss is reversed accordingly.

Low-value assets for which the cost of acquisition or production does not exceed € 250 are recognized in full as an expense in the result for the period in the year of acquisition.

Gains or losses from the impairment of property, plant and equipment are reported in the presentation of the net profit or loss for the period under "Depreciation, amortization and write-downs of property, plant and equipment, intangible assets and rights of use"; gains or losses from the disposal of property, plant and equipment are included in "Other operating income" or "Other operating expenses".

3.10. Intangible assets (excluding goodwill)

This balance sheet item mainly comprises acquired intangible assets and internally generated intangible assets.

Acquired intangible assets (acquired rights and licenses) are initially measured at cost (purchase price, directly attributable costs). Assets identified in the context of company acquisitions (see also section A. 3.30 of the consolidated financial statements), such as contractual customer relationships, brand rights and non-compete agreements, are recognized as acquired intangible assets and measured at fair value for the first time, provided that the criteria of IFRS 3 and IAS 38 are met.

Internally generated intangible assets (such as internally developed software) are recognized if they meet the capitalization criteria of IAS 38 (in particular, evidence of technical feasibility, the intention and ability to use the asset and its reliable measurement). Production costs include costs directly attributable to the development phase as well as borrowing costs, insofar as these are to be capitalized in accordance with IAS 23. Research costs are recognized as expenses.

Acquired and internally generated intangible assets with finite useful lives are amortized after initial recognition. The straight-line method of depreciation is used; within the CANCOM Group, useful lives of 3-12 years are assumed.

The appropriateness of useful lives is reviewed regularly. If necessary, adjustments to the useful lives are made. If there are indications of impairment for intangible assets with a limited useful life in accordance with IAS 36 and the recoverable amount is below amortized cost, the items are subject to non-scheduled amortization (see also section A. 3.12 of the consolidated financial statements). If the reasons for the impairment no longer apply, the impairment loss is reversed accordingly.

Any acquired and internally generated intangible assets with indefinite useful lives are not amortized, but tested for impairment at least once a year in accordance with IAS 36 (see also section A. 3.12 of the consolidated financial statements).

Gains or losses from the impairment of intangible assets are reported within the presentation of the result for the period under the item "Depreciation, amortization and impairment of property, plant and equipment, intangible assets and rights of use"; gains or losses from the disposal of intangible assets are included in the item "Other operating income" or in the item "Other operating expenses".

3.11. Goodwill and other intangible assets

Goodwill arises in connection with an acquisition (see also section A. 3.30 of the consolidated financial statements) if the total consideration transferred to the exceeds the net amount of the identifiable assets acquired and liabilities assumed. The positive difference must be capitalized in accordance with IFRS 3.

Goodwill is not amortized on a scheduled basis, but tested for impairment at least once a year in accordance with IAS 36 (see also section A. 3.12 of the consolidated financial statements). The impairment test for goodwill is performed at the level of the cash-generating unit to which the item was allocated on initial recognition. Goodwill is allocated to the cash-generating unit that is expected to benefit from the synergies of the business combination. In accordance with IAS 36, a cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of those from other assets. Within the CANCOM Group, the cash-generating unit is usually the individual subsidiaries or legal entities. Goodwill is always impaired if the recoverable amount of the cash-generating unit allocated to the item is less than the carrying amount of this cash-generating unit; the goodwill must then be written down by this difference. The basis for calculating the recoverable amount is the higher of the value in use and the fair value less costs to sell the cash-generating unit. This is determined using a present value model taking into account cash flows based on internal planning figures. A subsequent reversal of the impairment loss through a write-up of goodwill cannot be made.

3.12. Impairment of property, plant and equipment, intangible assets, goodwill, rights of use

Impairments are determined in accordance with IAS 36 by comparing the carrying amount with the recoverable amount. Such an impairment test is carried out at the level of the individual asset if it is possible to estimate the recoverable amount for the individual asset. Otherwise, the impairment test must be performed at the level of the cash-generating unit. This is the smallest group of assets that generates largely independent cash inflows.

At each balance sheet date, assets are reviewed for indications of impairment. If such indications exist, the recoverable amount of the asset or cash-generating unit must be determined and compared with the carrying amount. Goodwill, any other intangible assets with indefinite useful lives and intangible assets not yet ready for use are tested for impairment once a year, irrespective of whether or not there are any indications of impairment.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. For a cash-generating unit, the recoverable amount is generally determined using the discounted cash flow method, taking into account cash flows based on internal planning figures. The cash flows are discounted using a cost of capital rate that reflects current market expectations regarding the interest effect and the specific risks of the cash-generating unit.

An impairment loss is recognized if the recoverable amount of the asset or cash-generating unit is less than the corresponding carrying amount. In the case of a cash-generating unit, any goodwill must first be reduced or eliminated. If the carrying amount is not sufficient, the other assets of the cash-generating unit must be reduced proportionately.

With the exception of goodwill, a review must be carried out on each balance sheet date to determine whether there are any indications that a previously recognized impairment no longer exists or has decreased. If this is the case, the carrying amount of the asset or cash-generating unit must be increased to its recoverable amount. In doing so, assets may not be written up above their carrying amounts, which would have been determined if no impairment had been recognized previously.

3.13. Rights of use

Rights of use are assets that CANCOM must recognize if it enters into leases (see section A. 3.27 of the consolidated financial statements) as a lessee. They are accounted for in accordance with IFRS 16, which normally requires the lessee to recognize a lease liability as the present value of the lease payments not yet made, and at the same time to capitalize a right of use in the amount of the cost of acquisition, which is essentially the initial carrying amount of the lease liability. Subsequently, the right of use is amortized over the term/ useful life of the underlying asset. The impairment provisions of IAS 36 are also applied (see section A. 3.12 of the consolidated financial statements).

In the CANCOM Group there are these three classes of rights of use:

- Rights of use for land and buildings;
- Rights of use for operating and office equipment;
- Rights of use for motor vehicles.

3.14. Financial assets and loans

The balance sheet item "Financial assets and loans" includes fixed-interest securities, loans issued and company participations. These items are financial instruments (see also section A. 3.25 of the consolidated financial statements) and are accounted for in accordance with IFRS 9. CANCOM assigns them to the measurement category "financial assets measured at fair value in other comprehensive income". Subsequent measurement is at fair value, with changes in value recognized directly in equity under "other reserves" (i.e. in other comprehensive income in the statement of comprehensive income, not in the presentation of the result for the period), although changes in the value of equity instruments (equity investments) recognized in equity are never transferred to the result for the period. The impairment provisions of IFRS 9 are also relevant for debt instruments, i.e. expected credit losses must be recognized for the items on each balance sheet date. The change in the expected credit loss represents an impairment expense or income to be recognized in profit or loss for the period..

3.15. Deferred taxes

Deferred taxes are recognized in accordance with IAS 12 to account for the future tax consequences of temporary differences between the tax bases of assets and liabilities and their carrying amounts in the IFRS financial statements, as well as on loss carryforwards. Deferred taxes are measured on the basis of the regulations enacted by the legislator at the end of the respective reporting period for the reporting periods in which the differences will reverse or the loss carryforwards will probably be used. Deferred tax assets on loss carryforwards are only recognized if their realizability appears sufficiently certain in the near future. Deferred tax assets and deferred tax liabilities are offset only if certain conditions are met.

The offsetting entry for the recognition of deferred taxes in the balance sheet is made within the presentation of the result for the period under the item "Income taxes" - unless the tax results from a transaction or event that is recognized in the same or a different period either in equity under the item "Other reserves" (i.e. in other comprehensive income in the statement of comprehensive income) or elsewhere directly in equity.

3.16. Other financial assets

The balance sheet item "other financial assets" includes in particular receivables from finance leases (see section A.3.26 of the consolidated financial statements) and financial instruments such as receivables from suppliers, non-controlling interests and employees. It also includes derivative financial instruments (see section A.3.26 of the consolidated financial statements) with a positive fair value at the balance sheet date. They are accounted for in accordance with IFRS 9, and CANCOM classifies receivables as financial assets measured at amortized cost. Subsequent measurement is carried out using the effective interest method. In addition, the impairment provisions of IFRS 9 are relevant and therefore expected credit losses must be recognized.

Derivative financial instruments not included in hedging relationships must be allocated to the measurement category "financial assets at fair value through profit or loss". Subsequently, the items must be measured at fair value on each balance sheet date; changes in value must be recognized in profit or loss for the period.

3.17. Other assets

The balance sheet items "other current assets" and "other non-current assets" include receivables and deferred items that do not meet the definition of financial instruments. These are in particular receivables from authorities and deferred expenses. Where no specific IFRS/IAS is applied, the provisions of the Framework are used for accounting purposes.

3.18. Amounts owed to credit institutions

Liabilities to banks include subordinated and non-subordinated loans that CANCOM has received from banks. These are financial instruments (see section A. 3.25 of the consolidated financial statements), which must be accounted for in accordance with IFRS 9. In the CANCOM Group, liabilities to banks are assigned to the measurement category "financial liabilities measured at amortized cost". They are subsequently measured at amortized cost using the effective interest method. The latter method implies that interest expenses in the amount of the effective interest charge (i.e. including transaction costs and premiums/discounts) are recognized on an accrual basis.

3.19. accounts payable for goods and services

Trade payables are financial instruments (see also section A. 3.25 of the consolidated financial statements); they are accounted for in accordance with IFRS 9. In the CANCOM Group, the items are assigned to the measurement category "financial liabilities measured at amortized cost". As a rule, the carrying amount corresponds to the agreed purchase price of the service received or the original invoice amount (reduced by any discounts taken).

3.20. Provisions for pensions

According to IAS 19, provisions must be formed for pension commitments in the form of defined benefit plans where the actuarial risk (that the benefits will cost more than expected) and the investment risk (that the invested assets will not be sufficient to pay the expected benefits) are essentially borne by the company. The provision is reported as a net liability, i.e. the capital formed to finance the pension payments (actuarial reserve) is deducted from the defined benefit obligation (which reflects future pension payments to employees) if the actuarial reserve has the defining characteristics of plan assets.

The defined benefit obligation is measured using an actuarial valuation method (projected unit credit method or projected unit credit method). This method assumes that the employee earns an additional portion of the final benefit entitlement in each year of service, and as a result the defined benefit obligation increases gradually until retirement. Future payments are discounted using a discount rate derived at each balance sheet date from market yields on senior corporate bonds. The method takes into account actuarial assumptions such as demographic assumptions (e.g. mortality, fluctuation, early retirement) and financial assumptions (e.g. discount rate, future salary trends).

Cost components in connection with provisions for pensions are service cost, net interest (interest expense, interest income), actuarial gain or loss, return on plan assets. Within the presentation of the result for the period, the current service cost (i.e. the increase in the present value of a defined benefit obligation resulting from work performed during the period) is shown under "Personnel expenses", the net interest under "Interest and similar expenses". The net interest is determined by multiplying the net liability by the discount rate of the defined benefit obligation. Actuarial gains or losses and income from plan assets are recognized directly in equity under the item "Retained earnings including profit/loss carried forward and net income for the period" (i.e. in other comprehensive income in the statement of comprehensive income and not in the presentation of net income for the period). Actuarial gains and losses are changes in the present value of the defined benefit obligation due to experience-based adjustments (effects of differences between previous actuarial assumptions and actual developments) and the effects of changes in actuarial assumptions. The return on plan assets is the difference between the actual return on plan assets and the return based on the discount rate of the defined benefit obligation.

3.21. Other accrued liabilities

The balance sheet items "short-term provisions" and "long-term other provisions" include personnel-related provisions for jubilee, early retirement and severance pay obligations as well as obligations for bonuses, premiums and other gratuities. Depending on the characteristics of the obligation, these are accounted for in accordance with IAS 19 either in accordance with the rules for short-term employee benefits, in accordance with the rules for other long-term employee benefits (i.e. not regarded as pension benefits) or in accordance with the rules for long-term employee benefits on termination of employment.

The balance sheet items "short-term provisions" and "long-term other provisions" also include warranty obligations, possible charges for copyright infringements and other provisions (such as for dismantling obligations or for onerous contracts or impending losses). Such provisions are recognized in accordance with IAS 37 if a past event has given rise to a present obligation (legal or constructive) that will probably result in an outflow of resources and whose amount can be reliably estimated. They are measured at the best possible estimate of the expenditure required to settle the obligation on the balance sheet date. Long-term provisions must be discounted at a risk-adequate interest rate.

3.22. Liabilities, receivables from current income taxes

The balance sheet item "Income tax liabilities" includes payment obligations from corporate and trade tax assessments. They are accounted for in accordance with IAS 12, with the carrying amount generally corresponding to the amount payable to the tax authorities.

Current income taxes are calculated based on the respective national tax results and regulations for the year. In addition, the current taxes reported in the financial year also include adjustment amounts for any tax payments or refunds for years not yet finally assessed, but excluding interest payments or interest refunds and penalties on back taxes.

Receivables from tax overpayments are reported under the balance sheet item "other current assets". These are refund amounts that are virtually fixed on the balance sheet date.

In the event that amounts recognized in the tax returns are unlikely to be realized (uncertain tax positions), tax liabilities are recognized. The amount is determined by the best possible estimate of the expected tax payment (expected value or most probable value of the tax uncertainty). Tax receivables from uncertain tax positions are recognized if it is probable that they can be realized. Only if a tax loss carryforward or an unused tax credit exists, no tax liability or tax receivable is recognized for these uncertain tax positions; instead, the deferred tax asset is adjusted for the unused tax loss carryforwards and tax credits.

3.23. Other financial liabilities

The balance sheet items "other current financial liabilities" and "other non-current financial liabilities" include, in particular, lease liabilities arising from the fact that CANCOM is the lessee under leases (see section A. 3.26 of the consolidated financial statements). They also include financial liabilities which arise in connection with sale and leaseback transactions because the sale of the underlying asset does not meet the criteria for a sale in accordance with IFRS 15, and therefore payments received from the sale must be recognised as financial liabilities in accordance with IFRS 9. These "financial liabilities to leasing companies" are subsequently measured by assigning them to the measurement category "financial liabilities measured at amortised cost" and thus using the effective interest method. In addition, purchase price liabilities incurred in the course of company acquisitions (see section A. 3.30 of the consolidated financial statements) are allocated to the balance sheet items. The latter purchase price liabilities relate either to contingent consideration or to put/call agreements (see section A. 3.30 of the consolidated financial statements).

Furthermore, derivative financial instruments not included in hedging relationships (see section A. 3.26of the consolidated financial statements) are reported under the balance sheet item "other current financial liabilities" and "other non-current financial liabilities" if they have a negative fair value as of the balance sheet date. Such items must be allocated to the measurement category "financial liabilities at fair value through profit or loss". Subsequently, they must be measured at fair value on each balance sheet date; changes in value must be recognized in profit or loss for the period.

3.24. Other liabilities

The balance sheet items "other current liabilities" and "other non-current liabilities" include liabilities and deferred items that do not have the definition of financial instruments. In particular, these are liabilities to public authorities, cooperatives and social security institutions as well as liabilities to employees. Where no specific IFRS/IAS is applied, the provisions of the Framework are used for accounting purposes.

3.25. Financial instruments

Financial instruments are defined in IAS 32; the relevant accounting and disclosure requirements are set out in IFRS 9 and IFRS 7. the term financial instrument covers financial assets and financial liabilities. Financial assets include cash and cash equivalents, contractually guaranteed rights to receive cash or other financial assets such as trade receivables, derivative financial instruments with positive fair values and equity instruments held in other companies. Financial liabilities include contractual obligations to deliver cash or another financial asset. They include, for example, loans taken out, short-term borrowings, trade payables and derivative financial instruments with negative fair values.

The balance sheet items "cash and cash equivalents", "trade receivables", "other current financial assets", "financial assets and loans" and "other non-current financial assets" contain only financial assets. The balance sheet items "current liabilities due to banks", "trade payables", "other current financial liabilities", "non-current liabilities due to banks" and "other non-current financial liabilities" consist exclusively of financial liabilities.

On initial recognition, financial instruments must be allocated to measurement categories listed in IFRS 9. The measurement category determines the subsequent measurement of the items. There are three measurement categories for financial assets ("financial assets at fair value through profit or loss", "financial assets measured at fair value in other comprehensive income", "financial assets measured at amortized cost"). Financial assets are allocated on the basis of criteria, taking into account the objective associated with the item (the business model) and the characteristics of the cash flows. Financial liabilities can be allocated to two measurement categories ("financial liabilities at fair value through profit or loss", "financial liabilities measured at amortized cost").

Financial assets and financial liabilities are recognized as soon as an entity becomes a party to the contractual provisions of the financial instrument. Regular way purchases or sales are recognized uniformly within the CANCOM Group on the settlement date (the date on which the asset is delivered to or by the company). Initial measurement is at fair value. To determine fair value, the requirements of IFRS 13 apply. Transaction costs must be included in the initial carrying amount for items not measured at fair value through profit or loss.

The CANCOM Group did not make use of the option of voluntarily designating financial assets or financial liabilities on initial recognition as "financial assets/liabilities at fair value through profit or loss" (fair value option) in the reporting period or in the comparative period.

After initial recognition, financial instruments in the measurement categories "financial assets/liabilities at fair value through profit or loss" and "financial assets measured at fair value in other comprehensive income" must be measured at fair value. The measurement categories "financial assets/liabilities at fair value through profit or loss" also include derivative financial instruments that are not included in an effective hedging relationship in accordance with IFRS 9 (see also section A. 3.26 of the consolidated financial statements). Changes in the value of the latter measurement categories are recognized through profit or loss (i.e. via the presentation of the result for the period). Subsequent measurement of items that fall under the measurement category "financial assets measured at fair value in other comprehensive income" is also at fair value. However, changes in value are recognized directly in equity under the item "other reserves" (i.e. in other comprehensive income in the statement of comprehensive income and not in the presentation of net income for the period), taking tax aspects into account. In the case of equity instruments, the changes in value thus recognized directly in equity are never transferred to the result for the period.

Derivative financial instruments included in an effective hedging relationship (see also section A. 3.26 of the consolidated financial statements) are not allocated to any measurement category. They are also recognized at fair value, but depending on the type of hedging relationship, changes in value may also be recognized directly in equity under "other reserves" (i.e. in other comprehensive income in the statement of comprehensive income).

Financial assets in the measurement category "financial assets measured at amortized cost" and financial liabilities in the measurement category "financial liabilities measured at amortized cost" are measured after initial recognition at amortized cost using the effective interest method.

Debt instruments allocated to the measurement category "financial assets measured at amortized cost" and the measurement category "financial assets measured at fair value in other comprehensive income" are subject to the impairment provisions of IFRS 9, whereby the expected credit loss for the respective item must be recognized at each reporting date. The change in the expected credit loss represents an impairment loss or income to be recognized in profit or loss.

3.26. Derivative financial instruments

Derivative financial instruments are generally used in the CANCOM Group exclusively to hedge risks from exchange rate changes, in the form of forward exchange transactions and similar currency derivatives. In addition, assets and liabilities may arise in connection with company acquisitions (see section A. 3.30 of the consolidated financial statements), which meet the definition of derivative financial instruments and must therefore be accounted for accordingly. These are contingent consideration including put/call agreements for the acquisition of shares.

Derivative financial instruments are accounted for in accordance with IFRS 9, either as stand-alone instruments or as part of an effective hedging relationship ("hedge accounting"). Hedge accounting means entering into underlying and hedging transactions with a documented economic connection in such a way that the compensatory effects on earnings resulting from changes in market prices occur in the same period. If a hedging relationship is designated, the gains and losses from the underlying and hedging transactions are recognized in accordance with the special hedge accounting rules. In principle, there is an option for hedge accounting for each situation. However, the application of hedge accounting rules is subject to conditions. For example, the hedging relationship must be documented. Furthermore, the hedge must meet certain effectiveness criteria (economic relationship between the hedged item and the hedging instrument, no dominant influence of the default risk, hedge ratio corresponds to the hedge ratio used for risk management purposes).

No hedge accounting was used in the CANCOM Group in the reporting period or in the comparable period.

The benchmark for the initial and subsequent measurement of derivative financial instruments is the fair value. The fair value of certain derivatives can be either positive or negative, depending on whether the derivative is a financial asset or a financial liability. The fair value must be determined in accordance with the requirements of IFRS 13. If no quoted market prices from active markets are available, fair values are calculated using present value or option price models whose main input factors (e.g. market prices, interest rates) are derived from quoted prices or other directly or indirectly observable input factors.

Freestanding derivative financial instruments, i.e. derivative financial instruments not included in an effective hedging relationship according to IFRS 9, must always be allocated to the measurement categories "financial assets/liabilities at fair value through profit or loss". Changes in value are recognized in the presentation of the net profit for the period under "other financial result income" or "other financial result expenses".

Derivative financial instruments included in an effective hedging relationship are not allocated to any measurement category. They are also recognized at fair value, whereby, depending on the type of hedge (fair value hedge, cash flow hedge) or the characteristics of the hedge, they are recognized either in profit or loss (i.e. in the presentation of the result for the period) or directly in equity under "other reserves" (i.e. in other comprehensive income).

3.27. Leasese

Leases must be accounted for in accordance with IFRS 16; the CANCOM Group has applied the standard for the first time ahead of time, with effect from January 1, 2018 (see below for further information). A lease is defined in IFRS 16 as an agreement to use an identifiable asset over which the Company has control, the latter being defined by the right to obtain significant economic benefits and the right to determine how the asset is to be used. IFRS 16 differentiates between the lessee's perspective and the lessor's perspective in terms of accounting requirements.

The lessee must generally record an asset for the right of use granted and a leasing liability on the date of provision. The lease liability is initially recognized at the present value of the lease payments not yet made. The right of use is to be capitalized in the amount of the acquisition costs, which essentially correspond to the initial carrying amount of the leasing liability. Subsequently, the lease payments are divided into a repayment portion and an interest portion (with a constant interest rate on the residual liability) and recognized accordingly as a reduction of the lease liability or as financing costs (interest expenses). In addition, the lease liability (and hence the right of use) must be remeasured (of present value) if there are any changes to the lease term, purchase options, residual value guarantees and variable lease payments. The right of use must be amortized on a scheduled basis over the term/life of the underlying asset. Rights of use are also subject to the impairment provisions of IAS 36 (see section A. 3.12 of the consolidated financial statements). Exceptions to the basic accounting obligation for lease liabilities and rights of use can be made for short-term leases and leases where the underlying asset is of minor value. Simplified recognition rules apply. CANCOM does not make use of the optional use of these simplified rules.

The lessor shall initially classify the lease as either a finance lease or an operating lease. The former is a lease that transfers substantially all the risks and rewards incidental to ownership of an underlying asset - which is not the case with an operating lease. If a lease is classified as a finance lease, the lessor derecognizes the leased asset and recognizes a receivable in the amount of the net investment in the lease. Subsequently, the lease payments are divided into a repayment portion and an interest portion (with a constant interest rate on the residual receivable) and recognized accordingly as a reduction of the receivable or as finance income (interest income). The lessor must apply the derecognition and impairment provisions of IFRS 9 to the net investment/receivable. If a lease is classified as an operating lease, the lease payments are recognized as income in the presentation of profit or loss for the period on a straight-line basis over the lease term (or on another systematic basis). The leased asset remains on the lessor's balance sheet and is depreciated by the lessor.

IFRS 16 was applied in the CANCOM Group at the beginning of the comparative period (i.e. on January 1, 2018), and thus for the first time ahead of schedule. The transitional provisions of IFRS 16 existing from the lessee's point of view were applied for the first time as follows:

- There was no review of contracts prior to January 1, 2018 to identify them as leases in accordance with IFRS 16; IFRS 16 was applied to all leases identified as such in accordance with IAS 17 and IFRIC 4.

- The CANCOM Group has applied the modified retrospective method; there were no cumulative effects from the first-time application in the revenue reserves.

- For all contracts recognized as operating leases before January 1, 2018, the following applied:
  - The present value of the lease liabilities as of January 1, 2018 was determined, taking into account the outstanding lease payments and the marginal borrowing cost rate.
  - The rights of use were recognized as of January 1, 2018 in the amount of the lease liabilities, adjusted where necessary for lease payments made or deferred in advance.
  - The rights of use were tested for impairment in accordance with IAS 36 as of January 1, 2018.
  - Initial direct costs have not been taken into account in the assessment of rights of use at January 1, 2018.
  - Subsequent improved findings were taken into account when determining the terms in connection with extension or termination options.

- The following applied to all contracts recognized as finance leases before January 1, 2018:
  - The carrying amounts of the leased assets as of January 1, 2018 were adopted as the carrying amounts of the rights of use.
  - The book values of the liabilities from finance leases were adopted as the book values of the leasing liabilities as of January 1, 2018.
  - The IFRS 16 rules were applied from January 1, 2018.

3.28. Government grants

Government grants, which under IAS 20 constitute grants for assets (i.e. grants for investments), are only recognized if there is reasonable assurance that a company within the CANCOM Group will comply with the conditions attached to them and the grants will be received. The grants are not deducted from the corresponding asset, but are recognized as deferred income under "other current liabilities" or "other non-current liabilities". The deferred income is subsequently released to income over the useful life or depreciation period of the corresponding property, plant and equipment (i.e. by presenting the result for the period under "other operating income"). Grants related to income are also recognized in the period in which the corresponding entitlement arises in the presentation of the net income for the period under "other operating income".

The benefit of a public loan at an interest rate below the market rate is treated as a government grant. The loan must be measured in accordance with IFRS 9 (see section A. 3.18 of the consolidated financial statements). The benefit of a below-market interest rate is measured as the difference between the original carrying amount of the loan determined in accordance with IFRS 9 and the payments received. Deferred income is recognized in the amount of this difference under the balance sheet item "other current liabilities" or "other non-current liabilities", which is released to the income statement over the term of the loan (i.e. through the presentation of net income for the period).

3.29. Foreign currency transactions and items

According to IAS 21, a foreign currency transaction is a transaction whose value is denominated in a foreign currency or which requires settlement in a foreign currency. A foreign currency is any currency other than the functional currency of the group enterprise. Foreign currency transactions are transactions for the purchase or sale of goods or services in foreign currencies, borrowings or loans in foreign currencies, or the purchase or sale of assets and liabilities in foreign currencies by other means. Foreign currency items are balance sheet items that are received or incurred in foreign currency (and whose entries therefore precede foreign currency transactions).

Foreign currency transactions or foreign currency items are translated into the functional currency for the first time at the spot rate applicable on the respective transaction date.

The subsequent measurement of a foreign currency item depends on whether it is a monetary or non-monetary item. Monetary items in a foreign currency should be translated into the functional currency at each balance sheet date using the closing rate (i.e. the spot rate at the balance sheet date); exchange differences should normally be recognized in profit or loss (i.e. within the presentation of net profit or loss for the period). Non-monetary items, if measured at cost, should be translated into the functional currency at the exchange rate prevailing at the date of initial recognition. Non-monetary items measured at fair value are translated at the exchange rate prevailing on the date of measurement (i.e. generally the closing rate). Translation differences from non-monetary items are treated in the same way as all other gains or losses, i.e. they are recognized either in profit or loss or directly in equity in the item "other reserves" (i.e. in other comprehensive income in the statement of comprehensive income).

3.30. Acquisitions

Business combinations are accounted for in accordance with IFRS 3 using the purchase method. Under this method, the acquirer must recognize the identifiable assets acquired, the liabilities assumed and all non-controlling interests in the acquired company at the acquisition date in accordance with the requirements of IFRS 3 and generally measure them at fair value. The equity (assets less liabilities) of the acquired company is therefore remeasured. The purchase price of an acquisition is measured as the sum of the consideration transferred (including contingent consideration), measured at fair value at the acquisition date, and the non-controlling interest in the acquiree. A positive difference between the purchase price and revalued equity represents goodwill, which is recognized as an asset in the balance sheet; however, a negative difference must be recognized immediately as an expense in the presentation of profit or loss for the period (see below).

Costs incurred within the scope of the business combination are recognized as an expense in the presentation of the result for the period under "other operating expenses".

When the Group acquires an entity, it assesses the appropriate classification and designation of financial assets and liabilities assumed in accordance with the contractual terms, economic conditions and conditions prevailing at the acquisition date.

An agreed contingent consideration is recognized at fair value at the time of acquisition. Subsequent changes in the fair value of a contingent consideration that represents an asset or liability are generally recognized in profit or loss in accordance with IFRS 9. Contingent consideration classified as equity is not remeasured and its subsequent settlement is recognized in equity.

The accounting of forward transactions on company shares (put/call agreements for the acquisition of shares) is highly complex and requires individual assessment. Such items can be accounted for as non-derivative or derivative financial instruments in accordance with IFRS 9 as well as non-derivative debt or equity instruments in accordance with IAS 32. In some cases, they may not even have to be recognized directly in the balance sheet. The put/call agreements recognized in the reporting period and in the comparative period are accounted for as "synthetic liabilities" in accordance with IAS 32.23 and are therefore measured for the first time at the present value of the repurchase amount. CANCOM assigns the synthetic liabilities to the measurement category "at amortized cost" for subsequent measurement, i.e. the obligation amounts are periodically recalculated and compounded using the original borrowing rate. Changes resulting from revaluation are recognized in the presentation of the result for the period under "other financial result income" or "other financial result expenses".

Goodwill is initially measured at cost, which is the excess of the total consideration transferred and the amount of the non-controlling interest over the identifiable assets acquired and liabilities assumed. If this consideration is less than the fair value of the net assets of the acquired company, the difference is recognized in the presentation of the profit or loss for the period.

After initial recognition, goodwill is not amortized on a scheduled basis, but tested for impairment at least once a year in accordance with IAS 36 (see section A. 3.11 and section A. 3.12 of the consolidated financial statements). In order to test for impairment, goodwill must be allocated to cash-generating units in accordance with the requirements of IAS 36.

3.31. Share-based payments

The accounting for share-based payments or share-based payment programs is based on IFRS 2, which distinguishes between equity-settled share-based payments and cash-settled share-based payments.

In the case of equity-settled share-based payment transactions, the fair value of the services received – which in transactions with employees is determined indirectly by reference to the fair value of the equity instruments granted – is recognized as an expense in the profit or loss for the period (within the CANCOM Group, under "Personnel expenses") on the date on which they are granted to employees, over the period in which the employees acquire an unrestricted right to the awards (vesting period). In the consolidated financial statements for the comparable period in 2018, the personnel expenses were distributed on a straight-line basis over the vesting period. At the end of the 2019 reporting period, a non-linear distribution was assumed to determine the personnel expenses. This non-linear distribution is a so-called "graded vesting". It assumes that the employee has earned 50 percent of the entitlement after two years, a further 25 percent after three years and the remaining 25 percent after four years. As an offsetting entry, equity is increased accordingly. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service conditions and non-market vesting conditions are expected to be met, so that the amount ultimately recognized as an expense is based on the number of awards that satisfies the related service conditions and non-market vesting conditions at the end of the vesting period.

In the case of cash-settled share-based payment arrangements, a liability is recognized. Within the CANCOM Group, this is shown in the balance sheet under "non-current financial liabilities". The liability is measured on each balance sheet date at the fair value of the stock appreciation rights. Changes in the fair value are recognized in the income statement in the presentation of the result for the period (within the CANCOM Group, under "Personnel expenses").

3.32. Earnings per share

Earnings per share are calculated in accordance with IAS 33. The standard differentiates between basic earnings per share and diluted earnings per share.

Basic earnings per share are calculated by dividing the consolidated net income for the period less non-controlling interests by the weighted average number of ordinary shares outstanding (currently outstanding) during the period.

Diluted earnings per share take into account potential ordinary shares in addition to the currently outstanding ordinary shares.

The calculation of basic and diluted earnings per share is shown in the statement of comprehensive income under the presentation of net income for the period.

4. Discretionary decisions and estimation uncertainties

Discretionary decisions must be made in the application of the recognition and measurement methods. The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period are discussed below:

- The recognition and measurement of liabilities in connection with variable purchase price components and put/call agreements in the case of company acquisitions (see section D. 5 of the consolidated financial statements for information on the corresponding carrying amounts and the determination of fair values) is based on the assessment of future earnings to be achieved; for measurement purposes, reference is made to management planning calculations. The valuation is also based on assumptions regarding the probability of the probable exercise date of the options.

- In the context of company acquisitions, the assets acquired and the liabilities assumed must be identified at the time of acquisition and generally measured at fair value (see section A. 3.30 and section A. 2.2 of the consolidated financial statements). In particular, the identification and measurement of intangible assets (such as acquired customer bases, order backlogs, brands) is subject to discretionary judgement.

- In accordance with IFRS 15, if another party is involved in the delivery of goods or the provision of services to a customer, an entity must assess, in the context of revenue recognition (see section A. 3.2 of the consolidated financial statements), whether its obligation to perform consists in delivering the goods or providing the services as principal or in engaging this other party to deliver the goods or provide the services as agent. The weighting of individual arguments for or against a principal/agent in the context of an overall assessment is complex and partly subject to discretion.

- When carrying out impairment tests, assumptions are made which form the basis for determining the recoverable amount (see section B. 8.3 of the consolidated financial statements); management forecasts are also used for this purpose.

- In determining whether trade payables (see section B. 11 of the consolidated financial statements) are to be recognized in connection with additional agreements that CANCOM enters into with suppliers, it is necessary to examine whether the additional agreement in relation to the original supplier contract constitutes a material contractual amendment under IFRS 9, or whether the trade payables are to be derecognized. The derecognition criteria are discretionary.

- When determining the term of leases (see section D. 3 of these consolidated financial statements), it must be assessed in connection with extension and termination options whether the respective exercise of the option is sufficiently certain.

- The measurement of employee stock options as share-based payments (see section D. 4 of the consolidated financial statements) is based in particular on estimated market-dependent performance conditions (such as expected volatilities and risk-free interest rates) and company-specific parameters (such as fluctuations and mortality rates).

- For the recognition of non-personnel-related provisions (see section B. 13 of the consolidated financial statements for the carrying amounts), the assessment of the probability of a future payment is particularly important.

- Valuation allowances on receivables are recognized to reflect expected credit losses resulting from the insolvency or unwillingness to pay of customers. This applies in particular to the carrying amounts of trade receivables (see section D. 5 of the consolidated financial statements).

- The determination of the useful lives of property, plant and equipment and intangible assets (see section A. 3.9 and section A. 3.10 of the consolidated financial statements) is based on assessments and forecasts by management. This also applies to the determination of impairment of such items and of financial assets.

These recognition and measurement uncertainties are based on the best possible knowledge of the circumstances on the balance sheet date. The actual amounts may differ from the estimates. The carrying amounts recognized in the financial statements and subject to these uncertainties can be found in the balance sheet or in the related notes.

Discretionary decisions are also made as to whether CANCOM gains control of the acquired company when it acquires structured companies, and whether it should therefore be included in the consolidated financial statements as a subsidiary by way of full consolidation. In the case of the inclusion of a special purpose leasing company (see section A. 2.1 of the consolidated financial statements), this was not the case.

At the time of preparation of the consolidated financial statements, no significant changes in the assumptions on which recognition and measurement were based are to be assumed. In this respect, no significant adjustments to the assumptions and estimates that would have a material effect on the result for the period or on the carrying amounts of the assets and liabilities affected in the next financial year (reporting period 2020) are expected from the current perspective.

5. Accounting standards to be applied for the first timen

The CANCOM Group has applied the following pronouncements or amendments to pronouncements of the IASB or IFRS IC for the first time in the reporting period:

- Amendment to IFRS 9 "Financial Instruments" (title of the amendment: "Early repayment arrangements with negative settlement");

- Amendment to IAS 28 "Investments in associates and joint ventures" (title of the amendment: "Non-current investments in associates and joint ventures");

- "Improvements to International Financial Reporting Standards" ("2015-2017 cycle"; publication in 2017);

- Amendment to IAS 19 "Employee Benefits" (title of the amendment: "Plan amendment, curtailment or settlement");

- IFRIC 23 "Uncertainty in the treatment of income taxes".

The amendment to IFRS 9 modifies the rules for the classification and measurement of financial assets with a negative prepayment penalty.

The amendment to IAS 28 clarifies that IFRS 9 is to be applied to financial instruments that are not accounted for using the equity method (including shares of a net investment) and that the requirements in IAS 28 are only applied subsequently.

The IASB makes amendments to various IFRSs through collective standards "Improvements to International Financial Reporting Standards". A total of four standards were amended in the course of the 2015-2017 cycle.

The amendment to IAS 19 clarifies that after plan amendments, plan curtailments and settlements, the service cost and net interest for the remaining period must be recognized on the basis of updated assumptions.

IFRIC 23 is to be applied to the accounting of income taxes according to IAS 12 if there are uncertainties regarding the treatment of income taxes. It does not apply to taxes or duties that do not fall within the scope of IAS 12 and does not contain any provisions on interest and late payment penalties in connection with uncertain tax treatment. The interpretation deals in particular with whether an enterprise should assess uncertain tax treatments on an individual basis and with the assumptions that an enterprise makes in relation to the review of tax treatments by the tax authorities. It also addresses the determination of taxable profit, tax bases, unused tax losses, unused tax credits and tax rates.

None of the above changes in rules has any significant effect on the CANCOM Group's net assets, financial position, results of operations or cash flows.

6. Accounting standards not applied

No IFRS were voluntarily applied ahead of time in the consolidated financial statements of CANCOM SE as of December 31, 2019. The pronouncements are recognized for the first time at the time of their mandatory application. The application of IFRS requires that the European Union (EU) grants the recognition that is still outstanding in some cases.

The changes in regulations listed below are not expected to have any significant effect on the presentation of the CANCOM Group's net assets, financial position and results of operations or on its cash flows.

6.1. Mandatory first-time adoption in the reporting period 2020

The following pronouncements will be mandatory for the first time in CANCOM's consolidated financial statements as at December, 31 2020:

- Amendments to various standards (title of the amendment: "Amendments to references to the Framework in IFRS Standards");
- Amendment to IFRS 3 "Business Combinations" (title of the amendment: "Definition of "Business Operations");
- Amendment to IAS 1 "Presentation of financial statements" and IAS 8 "Accounting policies, changes in accounting estimates and errors" (title of the amendment: "Definition of material");
- Amendment to IFRS 9 "Financial Instruments" and IFRS 7 "Financial Instruments: Disclosures" (title of the amendment: "Reform of Reference Interest Rates").

The IASB's extensively revised framework was published in March 2018. It came into force immediately upon publication. The framework is not subject to the EU endorsement process. In this context, adjustments were also made to the cross-references in the IFRS to the Framework and to reproductions from the Framework. This may have an impact on previously applied recognition and measurement methods developed within the framework of IAS 8.

The amendment to IFRS 3 is intended to assist companies in determining whether a transaction is to be accounted for as a business combination or as an acquisition of assets. They clarify the minimum requirements for a business operation (existence of inputs and a substantive process that significantly permits outputs to be generated). The previously required assessment of whether market participants are able to replace missing elements in this process is no longer necessary. Additional guidelines should help to assess whether an acquired process is substantial. In addition, the definitions of a business operation and output have been narrowed down to the effect that these must be services to customers.

As a result of the amendments to IAS 1 and IAS 8, information is material if the omission, misstatement or obfuscation of that information could reasonably influence the decision of the primary users. The new definition of materiality includes for the first time the concealment of information as a measure of materiality in the area of disclosures. It is aimed at the primary users of financial statements as defined in the Framework since 2010. Furthermore, information must be reasonably likely to influence decisions in order to be material.

The amendments to IFRS 9 arise against the background of the reform of the reference interest rate (IBOR reform) and essentially concern simplifications with regard to the regulations on the presentation of hedging relationships (hedge accounting).

6.2. Mandatory first-time adoption in the reporting period 2021 or later

The following pronouncements will be applied for the first time in CANCOM's consolidated financial statements as of December, 31 2021 or later:

- IFRS 17 "Insurance Contracts" (not yet adopted by the EU);
- Amendment to IAS 1 "Presentation of Financial Statements" (title of the amendment: "Classification of Liabilities as Current or Non-current"; not yet adopted by the EU).

IFRS 17 replaces IFRS 4 and contains requirements for the accounting and disclosure of insurance contracts (especially life insurance, non-life insurance, direct insurance, reinsurance). In contrast to IFRS 4, IFRS 17 contains a comprehensive model for insurance contracts that reflects all relevant aspects of accounting.

The amendment to IAS 1 concerns the adjustment of the assessment criteria for the classification of liabilities as current or non-current.

6.3. Announcements without a mandatory first application date

The amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" (designation of the amendments: "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture" and "Effective Date of Amendments to IFRS 10 and IAS 28"; EU endorsement has not yet occurred) do not yet have a mandatory first-time adoption date. An inconsistency between the provisions of IFRS 10 and IAS 28 is addressed in the case of the sale of assets to an associate or joint venture or the contribution of assets to an associate or joint venture.

7. Changes to the reporting structure and error correction

7.1. Changes to the reporting structure

At the end of the reporting period, some items in the consolidated balance sheet and the consolidated statement of comprehensive income were renamed or combined. The structure of the consolidated statement of changes in equity was also changed. The presentation changes were made to improve the readability and understanding of the consolidated financial statements, taking into account materiality aspects.

In the consolidated financial statements for the comparative period, the cash flow from operating activities was derived from the item in the statement of comprehensive income "Earnings before taxes". In the consolidated financial statements for the reporting period, the cash flow from operating activities was derived from the item in the statement of comprehensive income "Net income for the period". The result for the period contains the result of discontinued operations and is a result after taking into account income taxes. Accordingly, the item "Cash inflow/outflow from discontinued operations", which is shown in the consolidated financial statements of the comparative period under the cash flow from operating activities, is no longer included in the adjustments; in addition, the item "Income taxes" was added under the adjustments.

7.2. Correction of immaterial errors

In the consolidated financial statements of the comparative period, assets that do not meet the definition of contract assets according to IFRS 15 were reported under the balance sheet item "current contract assets" or under the balance sheet item "non-current contract assets". These assets were reclassified to "other current assets" and "other non-current assets" for the comparative period. Following this reclassification, the balance sheet item "Non-current contract assets" does not show any amounts in either the reporting period or the comparative period and is therefore no longer reported.

In the consolidated financial statements of the comparative period, the other current financial assets below included receivables from marketing revenues of EUR 1,321 thousand (as of December 31, 2018) and EUR 1,054 thousand (as of December 31, 2017), respectively, and the other current assets included receivables from commission income of EUR 432 thousand (as of December 31, 2018) and EUR583 (as of December 31, 2017), respectively; these were reclassified to the item "Trade receivables". The adjustments were made as part of the retrospective correction of errors in the application of IFRS 15, i.e. the balance sheet figures as of January 1, 2018 were also corrected.

In the consolidated financial statements for the comparable period of the previous year, the diluted earnings per share from continuing operations and the diluted earnings per share from net income for the period attributable to shareholders of the parent company were calculated on the basis of 35,251,953 shares, i.e. – due to stock options issued and not expired (see section D. 4.1 of the consolidated financial statements) – a number of 208,315 shares was taken into account in addition to the undiluted number of shares (35,043,638 shares). As of the balance sheet date of the comparative period, however, neither the performance conditions of the stock option program were fulfilled nor were the stock options "in the money" within the meaning of IAS 33. The number of shares used to calculate the diluted figures for the comparative period was therefore adjusted to 35,043,638. As a result, both the diluted earnings per share from continuing operations and the diluted earnings per share from profit or loss attributable to shareholders of the parent company for the comparative period (before error adjustment from the application of IFRS 15, see below) each changed from € 1.21 to € 1.22 (i.e. an increase of € 0.01 each).

In the consolidated financial statements for the comparative period, the column "Additions from first-time adoption" was added to the consolidated statement of changes in fixed assets. IFRS 16 2018" and the column "Additions from initial consolidation" were added to the consolidated statement of changes in non-current assets. 2018" in a column "Additions from initial consolidation". 2018" column. These are now presented separately. In addition, additions from the first-time consolidation of acquired companies were previously shown in the consolidated statement of changes in non-current assets at the original cost of acquisition/production prior to the respective dates of acquisition, and consequently the corresponding cumulative depreciation and amortization (prior to the date of acquisition) was also shown for these items. This presentation was adjusted at the end of the reporting period; now additions from first-time consolidation are allocated in full to the area of acquisition/production costs. The columns for the comparison period were corrected accordingly.

With regard to equity-settled share-based payments (see section A. 3.31 and section D. 4.1 of the consolidated financial statements), the periodic personnel expenses in the consolidated financial statements for the comparative period 2018 were determined by linear distribution of the total expenses over the vesting period. At the end of the 2019 reporting period, however, a non-linear distribution (so-called "graded vesting") was assumed to determine the personnel expenses to be recorded up to this point in time. If this non-linear distribution had already been used at the end of the comparative period, the personnel expenses for the comparative period would have been € 177 thousand higher. The increase was recognized under personnel expenses in the reporting period.

7.3. Correction of substantial errors

In addition, errors were corrected in these consolidated financial statements which are material within the meaning of IAS 8 and could therefore individually or collectively influence the economic decisions of the users made on the basis of the financial statements. This correction was made with regard to the application of the regulations of IFRS 15 on revenue recognition (see section A.3.2 of the consolidated financial statements); specifically, these are adjustments with regard to the accounting treatment of warranty and maintenance contracts and certain warranties and comprise the following topics:

- Corrections in the assessment of whether CANCOM should be classified as principal or agent in the sale of these services.

- Corrections in assessing whether performance obligations are fulfilled over a certain period of time or at a certain point in time (step 5 in the model for revenue recognition).

In CANCOM's case, the first assessment of the principal/agent status is mainly in connection with the sale of hardware or software, where the customer can choose to obtain additional services (for example in the form of maintenance contracts, guarantees or warranties) from the hardware/software manufacturer. Up to now, CANCOM has taken the view that it should act as principal in the sale of such services. The corresponding sales revenues were shown as a gross amount in the statement of comprehensive income, and were recognised when they were received. After renewed examination, CANCOM has come to the conclusion that classification as an agent is more in keeping with the rules, which require interpretation. For this reason, such additional services purchased from the manufacturer are recognised at net value in the reporting period and in the comparative period. The correction had no effect on the results shown in the statement of comprehensive income in the reporting period or in the comparative period, because the items "Sales revenues" and "Cost of materials/cost of purchased services" were reduced by the same amount.

Insofar as CANCOM can be classified as a principal, corrections are also made in individual cases when assessing whether the obligation to perform is to be fulfilled over a certain period of time or at a certain point in time. This concerns support services (or guarantees or warranties) that are provided by CANCOM itself. To date, CANCOM has realised these support services on a time-related basis, and has formed a provision for future obligations, if necessary, which has been released in line with the provision of services. After renewed examination, CANCOM has come to the conclusion that a service exists, the revenue from which must be recognised over a period of time, because the service obligation is fulfilled over the period of the maintenance contract or guarantee promise. The provision was therefore to be reversed and the revenue realized too early was to be accrued as a liability in the form of contractual liabilities. The correction resulted in a total effect of €(k) -816 on profit before tax and an effect of €(k) 575 on profit for the period for the comparative period 2018. The adjustment related to profit from continuing operations and was exclusively attributable to the profit for the period attributable to the shareholders of the parent company. Basic and diluted earnings per share for the comparative period decreased by € 0.02. Basic and diluted earnings per share for profit for the period attributable to equity holders of the parent decreased by € 0.01 and € 0.02, respectively.

The corrections did not result in any changes in the amount of cash flow from operating activities, cash flow from investing activities and cash flow from financing activities for the comparative period2018.

The corrections were made retroactively, i.e. the information provided in the consolidated financial statements and the notes to the consolidated financial statements was adjusted for the comparative period in 2018; in addition, the (possibly corrected) values are stated in the balance sheet as of January 1, 2018. Adjustment amounts with an effect on income with respect to periods prior to January 1, 2018 were recognized in equity as of January 1, 2018 under the balance sheet item "Retained earnings including profit/loss carried forward and net income for the period".

The following table shows which balance sheet items were adjusted as of December 31, 2018.

(in T€)	Dec 31, 2018 (adjusted*)	Dec. 31, 2018 (before adjustment)	Adjustment of the material error	Other a djustments
Current assets				
Receivables from deliveries and services*	276,164	274,410		1,754
Current contract assets	1,320	5,874		-4,554
Inventories	32,118	32,142		-24
Other current financial assets	14,974	16,295		-1,321
Other current assets	12,199	6,607	1,447	4,145
Non-current assets				
Non-current contract assets	0	1,699		-1,699
Deferred tax assets	6,070	3,487	2,583	
Other non-current assets	3,055	246	1,110	1,699
Current liabilities				
Short-term provisions	2,141	3,235	-1,094	
Current contract liabilities	27,031	22,922	4,109	
Non-current liabilities				
Non-current other provisions	2,025	3,266	-1,241	
Non-current contractual liabilities	6,276	1,964	4,312	
Deferred tax liabilities	17,121	15,602	1,519	
Equity				
Retained earnings including profit carried forward and profit for the period	145,591	148,057	-2,466	

The following table shows which balance sheet items were adjusted as at 1 January 2018 (after first-time application of IFRS 9, IFRS 15 and IFRS 16).

(in T€)	Jan 1, 2018 (adjusted)	Jan. 1, 2018 (before adjustment)	Adjustment of the material error	Other a djustments
Current assets				
Receivables from deliveries and services*	225,645	224,008		1,637
Other current financial assets*	24,240	25,294		-1,054
Other current assets	7,597	7,139	1,041	-583
Non-current assets				
Deferred tax assets	7,398	5,385	2,013	
Other non-current financial assets	8,311	8,312	-1	
Other non-current assets	2,176	1,266	910	
Current liabilities				
Short-term provisions	2,498	3,276	-778	
Current contract liabilities	14,269	11,299	2,970	
Non-current liabilities				
Non-current other provisions	1,920	3,022	-1,102	
Non-current contractual liabilities	5,829	2,253	3,576	
Deferred tax liabilities	17,205	16,015	1,190	
Equity				
Retained earnings including profit carried forward and profit for the period	121,274	123,167	-1,893	

The following table shows which items have been adjusted within the statement of comprehensive income (in the presentation of the result for the period) for the period from January 1, 2018 to December 31, 2018..

(in T€)	Jan. 1, 2018 to Dec. 31, 2018 (adjusted*)	Jan. 1, 2018 to Dec. 31, 2018 (before adjustment)	Adjustment
Revenue	1,317,272	1,378,904	-61,632
Cost of materials/expenses for purchased services	-942,059	-1,002,421	60,362
Other operating expenses	-51,390	-51,603	213
Interest and similar expenses	-1,936	-2,176	240
Income before income taxes	63,354	64,170	-816
Income taxes	-21,171	-21,412	241
Result for the period	42,069	42,644	-575

B. Notes to the consolidated balance sheet

1. Cash and cash equivalents

Cash and cash equivalents exclusively comprise bank balances due at any time and cash on hand.

2. Non-current assets and disposal groups held for sale and related liabilities

The non-current assets and disposal groups classified as held for sale in the reporting period relate to a building including a leasehold for which there has been an intention to sell since September 2019. The building is not necessary for CAN-COM's operations; therefore the sale is to take place by September 2020 at the latest. Before it was classified as "held for sale", the building was reported under the balance sheet item "Property, plant and equipment" and the leasehold was reported under the balance sheet item "Rights of use" within the IT Solutions segment. Upon classification as "held for sale", lease liabilities from the ground lease amounting to €241 thousand were reclassified from the balance sheet item "other non-current financial liabilities" and €4 thousand from the balance sheet item "other current financial liabilities" to the balance sheet item "liabilities associated with non-current assets and disposal groups held for sale".

3. Accounts receivable

Trade receivables are composed as follows:

(in T€)	Dec. 31, 2019	Dec. 31, 2018 (adjusted*)	Dec. 31, 2018 (before adjustment)
Gross book value (before value adjustments)	274,915	276,287	274,533
Value adjustments	-425	-123	-123
Trade receivables, balance sheet presentation	**274,490**	**276,164**	**274,410**

*) See the explanations in section A. 7.3 of the consolidated financial statements.

The trade receivables reported in the balance sheet relate exclusively to contracts with customers in accordance with IFRS 15.

The value adjustments for trade receivables developed as follows in the reporting and comparison period:

(in T€)	Dec. 31, 2019	Dec. 31, 2018
Status as at 1.1.	123	218
Changes in the scope of consolidation	0	107
Disposals due to write-offs	-10	-348
Impairment losses (including impairment income)	312	146
Balance of value adjustments as of Dec. 31	**425**	**123**

The amount of EUR -199 thousand (comparative period) recognized in the statement of comprehensive income under the item "Impairment losses on financial assets including reversals of impairment losses" in the period under review: EUR -146 thousand) is composed of the impairment losses (including impairment income) of EUR 312 thousand (prior period: EUR -146 thousand) included in the previous table, losses of EUR -10 thousand (prior period: EUR 0 thousand) on receivables already derecognized and gains of EUR 123 thousand (prior period: EUR 0 thousand) on receivables already derecognized.

For trade receivables, impairments and reversals of impairments for expected credit losses are determined using an impairment matrix. In this regard, we refer to the information on default risks in section D. 6.5 of the consolidated financial statements.

4. Contract assets, contract liabilities and capitalized contract costs

The following table provides information on contract assets from contracts with customers:

(in T€)	Dec. 31, 2019	Dec. 31, 2018
Current contract assets	1,565	1,320
Contract assets, balance sheet disclosure	**1,565**	**1,320**

Contract assets mainly relate to orders in progress in connection with IT projects. Contract assets at the end of the reporting period include an amount of EUR 18 thousand, which is attributable to the acquisition of Novosco Group .

The following table provides information on contractual liabilities from contracts with customers:

(in T€)	Dec. 31, 2019	Dec. 31, 2018 (adjusted*)	Dec. 31, 2018 (before adjustment)
Current contract liabilities		27,031	22,922
Non-current contractual liabilities	6,910	6,276	1,964
Contract liabilities, balance sheet disclosure	**39,899**	**33,307**	**24,886**

*) See the explanations in section A. 7.3 of the consolidated financial statements.

Contract liabilities mainly relate to advance payments received from customers and prepaid term contracts in connection with IT projects and support. An amount of EUR 8,594 thousand is attributable to the balance of contractual liabilities at the end of the reporting period, which is attributable to the acquisition of Novosco Group. The amount reported at the beginning of the reporting or comparison period was mainly recognized as revenue in the respective period.

The following table shows the contract costs capitalized in the reporting and comparison period

(in T€)	Dec. 31, 2019	Dec. 31, 2018
Capitalized short-term contract costs	6,225	0
Capitalized long-term contract costs	1,954	1,039
Capitalized contract costs, balance sheet disclosure	**8,179**	**1,039**

In the reporting period, contract costs of EUR 1,754 thousand (previous year: EUR 1,039 thousand) were capitalized as contract initiation costs and EUR 5,482 thousand (previous year: EUR 0 thousand) as contract performance costs. The capitalized contract performance costs of EUR 4,212 thousand were incurred by CANCOM in the course of the acquisition of the Novosco Group; they relate to two projects. The capitalized contract initiation costs mainly relate to two projects (comparative period: three projects) which are allocated to the Cloud Solutions segment. In the period under review, scheduled amortization of capitalized contract preparation costs of EUR 96 thousand (prior year: EUR 0 thousand) was recognized.

In the statement of comprehensive income (in the result for the period), capitalized contract costs are shown as a separate item within total output.

5. Inventories

Inventories mainly comprise merchandise, in particular hardware components and software. They are made up as follows:

(in T€)	Dec. 31, 2019	Dec. 31, 2018 (adjusted*)	Dec. 31, 2018 (before adjustment)
Finished goods, merchandise and raw materials and supplies	45,331	32,116	32,140
Advance payments made	204	2	2
Inventories, balance sheet disclosure	**45,535**	**32,118**	**32,142**

*) See the explanations in section A. 7.3 of the consolidated financial statements.

The cost of finished goods, merchandise and raw materials and supplies in the reporting period amounted to EUR 1,016,491 thousand (comparative period adjusted: EUR 864,923 thousand; before adjustment: EUR € 925,285 thousand).

In the reporting period, inventories of finished goods were written down by EUR 22 thousand (comparative period: EUR 223 thousand) due to overages, obsolescence, reduced marketability or subsequent costs.

No inventories were pledged as collateral in the period under review or the comparable period.

6. Other financial assets

The other current financial assets are as follows:

(in T€)	Dec. 31, 2019	Dec. 31, 2018 (adjusted*)	Dec. 31, 2018
Receivables from finance leases	10,274	6,722	6,722
Bonus claims on suppliers	10,039	7,003	7,003
Receivables from marketing revenues	0	0	1,321
Creditors with debit balances	447	1,072	1,072
Receivables from landlords	256	0	0
Assets from derivative financial instruments	164	40	40
Claims on employees	125	137	137
Other current financial assets, as reported in the balance sheet	**21,305**	**14,974**	**16,295**

*) See the explanations in section A.7.3 of the consolidated financial statement.

Other non-current financial assets are composed as follows:

(in T€)	Dec. 31, 2019	Dec. 31, 2018
Receivables from finance leases	13,689	7,535
Receivables from non-controlling shareholders	5,524	0
Assets from employee benefits	128	209
Receivables from companies with which a participation relationship exists	124	0
Claims on employees	3	1
Other non-current financial assets, as reported in the balance sheet	**19,468**	**7,745**

In the consolidated financial statements for the prior-year period, receivables from marketing sales of EUR 1,321 thousand were reported under other current financial assets; these have been reclassified to "Trade receivables".

7. Other assets

Other current assets are broken down as follows:

(in T€)	Dec. 31, 2019	Dec. 31, 2018 (adjusted*)	Dec. 31, 2018 (before adjustment)
Accrued expenses	10,327	7,585	6,114
Receivables from tax overpayments	8,196	4,353	4,353
Receivables from commission income	0	0	432
Receivables from insurance services	153	218	218
Receivables from social security institutions	8	1	2
Other Receivables	43	42	42
Other current assets, balance sheet disclosure	**18,727**	**12,199**	**11,161**

*) See the explanations in section A. 7.3 of the consolidated financial statements.

Other non-current assets are composed as follows:

(in T€)	Dec. 31, 2019	Dec. 31, 2018 (adjusted*)	Dec. 31, 2018 (before adjustment)
Accrued expenses	3,414	2,809	1,699
Receivables from security deposits	200	246	246
Other non-current assets, balance sheet disclosure	**3,614**	**3,055**	**1,945**

*) See the explanations in section A. 7.3 of the consolidated financial statements.

Deferred expenses mainly comprise payments made in advance under current maintenance contracts.

8. Fixed assets

The development of fixed assets in the reporting and comparison period, consisting of the balance sheet items

- property, plant and equipment,
- intangible assets (excluding goodwill),
- goodwill,
- rights of use,
- financial assets and loans,

is shown in the corresponding consolidated statement of changes in fixed assets.

Development of consolidated fixed assets

(consolidated fixed assets schedule) for the reporting period

	ACQUISITION/PRODUCTION COSTS						
(in T€)	**As of Jan. 1, 2019**	**Exchange rate differences 2019**	**Additions from first cons. 2019**	**Additions 2019**	**Disposals 2019**	**Reclassifica-tions 2019***	**As of Dec. 31, 2019**
Property, plant and equipment							
Motor vehicles	33,194	1	58	251	3,190	27	30,341
Land and buildings	30,087	245	245	791	23,399	101	8,070
IT computing centers	30,537	374	6	8,378	5,015	-158	34,122
UCC communication systems	828	0	0	0	0	0	828
Rental assets	1,630	0	0	63	1,693	0	0
Operating equipment for logistics center	221	0	0	0	0	0	221
Other operating and office equipment	32,497	338	8,171	8,860	5,804	-342	43,720
Intangible assets (excluding goodwill)							
Purchased and internally developed software	44,836	84	178	13,564	3,298	-912	54,452
Customer bases, order backlog, brands	93,027	2,138	23,298	333	15,879	0	102,917
Goodwill and other intangible assets	177,013	4,018	65,403	0	0	0	246,434
Rights of use							
Rights of use for land and buildings	43,693	263	2,189	29,947	1,773	-249	74,070
Rights of use for operating and office equipment	994	74	31	2,511	420	0	3,190
Rights of use for motor vehicles	884	0	26	3,834	337	0	4,407
Financial assets and loans	5,406	0	0	26,007	27,208	0	4,205
Total	**494,847**	**7,535**	**99,605**	**94,539**	**88,016**	**-1,533**	**606,977**

*) The columns "Reclassifications 2019" contain acquisition costs for property, plant and equipment (land and buildings) classified as held for sale in the reporting period in accordance with IFRS 5 amounting to EUR 1,283 thousand and rights of use for land and buildings amounting to EUR 250 thousand; the related depreciation amounts to EUR 329 thousand and EUR 11 thousand respectively.

DEPRECIATIONS						BOOK VALUES	
As of Jan. 1, 2019	Exchange rate differences 2019	Additions 2019	Disposals 2019	Reclassifications 2019*	As of Dec. 31, 2019	As of Dec. 31, 2019	As of Dec. 31, 2018
14,108	-2	5,064	2,452	-12	16,706	13,635	19,086
2,243	10	992	2,116	-479	650	7,420	27,844
13,203	112	6,282	5,015	518	15,000	19,022	17,334
248	0	0	0	124	372	456	580
921	0	247	1,168	0	0	0	709
87	0	0	0	31	118	103	134
18,987	47	5,578	5,774	-511	18,327	25,393	13,510
16,988	23	5,560	3,277	0	19,294	35,158	27,848
46,830	545	17,490	15,879	0	48,986	53,931	46,197
19,571	-46	13,332	0	0	32,857	213,577	157,442
7,239	29	9,064	1,972	-11	14,349	59,721	36,454
473	6	581	420	0	640	2,550	521
399	0	671	337	0	733	3,674	485
200	0	0	0	0	200	4,005	5,206
141,497	**724**	**64,861**	**38,410**	**-340**	**168,332**	**438,645**	**353,350**

*) The columns "Reclassifications 2019" contain acquisition costs for property, plant and equipment (land and buildings) classified as held for sale in the reporting period in accordance with IFRS 5 amounting to EUR 1,283 thousand and rights of use for land and buildings amounting to EUR 250 thousand; the related depreciation amounts to EUR 329 thousand and EUR 11 thousand respectively.

Development of consolidated fixed assets

(consolidated fixed assets schedule) for the comparative period

(in T€)	ACQUISITION/PRODUCTION COSTS							
	As at Jan. 1, 2018	Exchange rate differences 2018	Additions from first-time adopters. IFRS 16 2018	Additions from first cons. 2018*	Additions 2018	Disposals 2018	Reclassifications 2018	As at Dec. 31, 2018
Property, plant and equipment	2018							
Motor vehicles	29,788	2		78	6,968	3,642	0	33,194
Land and buildings	23,099	-53		4,839	3,671	34	-1,435	30,087
IT computing centers	20,093	-66		4,658	5,803	1,074	1,123	30,537
UCC communication systems	828	0		0	0	0	0	828
Rental assets	883	0		0	747	0	0	1,630
Operating equipment for logistics center	221	0		0	0	0	0	221
Other operating and office equipment	24,955	48		206	7,034	58	312	32,497
Intangible assets (excluding goodwill)								
Purchased and internally developed software	35,254	-5		846	8,851	110	0	44,836
Customer bases, order backlog, brands	75,606	157		24,506	0	7,242	0	93,027
Goodwill and other intangible assets	134,790	130		42,093	0	0	0	177,013
Rights of use								
Rights of use for land and buildings	0	22	37,012	44,242	0	571	0	43,693
Rights of use for operating and office equipment	0	1	978	999	0	6	0	994
Rights of use for motor vehicles	0	0	872	1,022	0	138	0	884
Financial assets and loans	6,891	0		0	14	1,499	0	5,406
Total	**352,408**	**236**	**38,862**	**123,489**	**33,088**	**14,374**	**0**	**494,847**

*) In the consolidated financial statements of the comparative period, the column "Additions from first-time adoption" has been removed. IFRS 16 2018" and the column "Additions from initial consolidation" were not adjusted. 2018" have been combined in one column "Additions from initial consolidation". 2018" column. In addition, additions from the first-time consolidation of acquired companies were previously shown in the consolidated statement of changes in non-current assets at the original cost of acquisition/production prior to the respective acquisition dates and consequently the corresponding accumulated depreciation and amortisation (prior to the acquisition date) was also shown for these items. CANCOM adjusted this presentation at the end of the reporting period; now additions from first-time consolidation are allocated in full to the area of acquisition/production costs. The columns for the comparative period have been corrected accordingly.

DEPRECIATIONS						BOOK VALUES	
As at Jan. 1, 2018	**Exchange rate differences 2018**	**Additions 2018**	**Disposals 2018**	**Reclassifications 2018**	**As at Dec. 31, 2018**	**As at Dec. 31, 2018**	**As at Dec. 31, 2017**
2018						2018	As at Dec. 31,
11,879	1	5,124	2,896	0	14,108	2017	17,909
1,496	-1	782	34	0	2,243	27,844	21,603
10,193	-10	4,050	1,040	10	13,203	17,334	9,946
124	0	0	0	124	248	580	704
381	0	540	0	0	921	709	502
54	0	0	0	33	87	134	167
14,888	26	4,154	-86	-167	18,987	13,510	10,021
13,691	1	3,398	102	0	16,988	27,848	21,563
40,698	394	12,980	7,242	0	46,830	46,197	34,908
19,571	0	0	0	0	19,571	157,442	115,219
0	7	7,803	571	0	7,239	36,454	
0	0	479	6	0	473	521	
0	0	537	138	0	399	485	
254	0	210	264	0	200	5,206	6,637
113,229	**419**	**40,057**	**12,207**	**0**	**141,497**	**353,350**	**239,179**

8.1. Property, plant and equipment

Property, plant and equipment in the reporting and comparison period are as follows:

(in T€)	Dec. 31, 2019	Dec. 31, 2018
IT computing centers	19,021	17,334
Motor vehicles	13,635	19,085
Land and buildings	7,421	27,844
Rental assets	0	709
UCC Communication Systems	456	580
Operating equipment for the logistics center	103	134
Other operating and office equipment	25,393	13,510
Property, plant and equipment, balance sheet disclosure	**66,029**	**79,196**

8.2. Intangible assets (excluding goodwill)

Intangible assets (excluding goodwill) break down as follows:

(in T€)	Dec. 31, 2019	Dec. 31, 2018
Customer bases	37,612	39,712
Purchased software	24,044	22,626
Orders on hand	16,195	5,462
Self-produced software	11,113	5,223
Brand	125	1,023
Intangible assets (excluding goodwill), balance sheet presentation	**89,089**	**74,046**

The customer bases, order backlog and brand are essentially based on company acquisitions made in the reporting period and in previous periods. The items are amortized on a scheduled basis over their respective expected useful lives. The customer bases have an average remaining useful life of five years, the order backlog has an average remaining useful life of three years and the brand has an average remaining useful life of six months.

The item "software acquired for a consideration" includes in particular ERP systems and a cloud-based agility platform. They are amortized on a scheduled basis and have an average remaining useful life of six years.

The item "Internally developed software" mainly includes the AHP Private Cloud Platform in the amount of €7,643 thousand (comparative period: €2,867 thousand), which is amortised over its expected useful life. The average remaining useful life is four years.

8.3. Goodwill and other intangible assets

Goodwill for the reporting period and the comparative period is broken down as follows:

(in T€)	Dec. 31, 2019	Dec. 31, 2018
Novosco Group	66,327	/
CANCOM Managed Services GmbH	58,159	/
- CANCOM Synaix GmbH	/	38,185
- Pironet AG Konzern	/	19,974
CANCOM GmbH	34,030	33,326
- davon IT Solutions	28,873	28,169
- davon Cloud Solutions	5,157	5,157
Ocean Group	32,094	30,525
CANCOM UK Group (formerly OCSL Group)	11,679	11,108
CANCOM on line GmbH	7,049	7,049
CANCOM ICT Service GmbH	2,522	2,522
CANCOM a + d IT solutions GmbH	1,717	1,717
HPM Incorporated	0	13,036
Goodwill, reported in the balance sheet	**213,577**	**157,442**

The goodwill of the Novosco Group results from the acquisition of Novosco Group Limited in the reporting period (see section A. 2.2 of the consolidated financial statements). The goodwill of CANCOM Managed Services GmbH results from the mergers of CANCOM Synaix GmbH with CANCOM Managed Services GmbH (see section A. 2.3 of the consolidated financial statements).

With the merger of CANCOM Synaix GmbH, the composition of the cash-generating units was also changed. Until June 30 , 2019, the cash-generating units "CANCOM Synaix GmbH" and "Pironet AG Group" existed. Since July 1, 2019, the assets and liabilities allocated to these two cash-generating units have been allocated to the newly defined cash-generating unit "CANCOM Managed Services GmbH". Impairment tests were carried out for the goodwill of the cash-generating units "CANCOM Synaix GmbH" and "Pironet AG Group" for the last time on June 30, 2019. There was no need for depreciation in each case.

The goodwill of CANCOM GmbH increased by about EUR 705 thousand in the reporting period due to the acquisition of medocino Gesellschaft für vernetzte Systeme mbH (see section A.2.2 of the consolidated financial statements).

From the translation of the goodwill of the Ocean Group, the CANCOM UK Group and the Novosco Group (functional currency mainly £) into the reporting currency € in accordance with IAS 21 in conjunction with In accordance with IFRS 3, there was a change in goodwill of EUR 3,916 thousand in the reporting period (comparative period: EUR 590 thousand).

Goodwill is not amortized on a scheduled basis, but tested for impairment at least once a year in accordance with IAS 36 by comparing the carrying amount with the recoverable amount of the respective cash-generating unit (see also the explanations in section A. 3.11 and section A. 3.12 of the consolidated financial statements).

In the reporting period, there were ten cash-generating units within the CANCOM Group, which are listed in the following table. The table also shows the most important assumptions on which the calculation of the values in use of the respective cash-generating units is based (information on the comparative period in brackets).

Cash-generating unit	Goodwill as of Dec. 31, 2019 in T€	Sales growth in % for 2020*	Average sales growth in % for 2021-2024	Input tax discount rate in %	After-tax discount rate in %
Novosco Group	66,327	30.14 (n.a.)	6.56 (n.a.)	10.12 (n.a.)	8.45 (n.a.)
CANCOM Managed Services GmbH	58,159	15.13 (n.a.)	6.24 (n.a.)	12.09 (n.a.)	8.80 (n.a.)
Ocean Group	32,094	23.08 (35.11)	16.83 (6.26)	9.91 (11.23)	8.45 (9.41)
CANCOM GmbH IT Solutions	28,873	11.83 (7.01)	2.13 (2.36)	12.96 (12.38)	8.80 (8.54)
CANCOM UK Group (formerly OCSL Group)	11,679	7.84 (15.76)	5.26 (3.1)	10.05 (11.19)	8.45 (9.41)
CANCOM on line GmbH	7,049	31.91 (11.12)	2.18 (2.36)	11.99 (12.77)	8.80 (8.54)
CANCOM GmbH Cloud Solutions	1,990	11.83 (7.01)	2.13 (2.36)	12.96 (12.38)	8.80 (8.54)
CANCOM ICT Service GmbH	2,522	5.59 (14.65)	5.61 (4.86)	12.37 (11.73)	8.80 (8.54)
CANCOM a + d IT solutions GmbH	5,157	-6.08 (10.83)	2.22 (2.32)	12.00 (12.59)	8.80 (8.54)
HPM Incorporated	0	8.84 (-1.57)	1.62 (2.21)	19.02 (13.77)	10.87 (10.64)

*) For the Novosco Group, the stated revenue growth for 2020 corresponds to the revenue growth based on the revenue for 2019 extrapolated from three months (as the date of first-time consolidation was October 1, 2019) to 12 months.

The recoverable amount is determined in each case as the value in use using the discounted cash flow method; the payments taken into account are based on a five-year detailed forecast period. The forecasts are based on financial plans approved by management, take into account past experience and are based on management's assessment of future developments. External market studies (Bitkom) are also used. The forecasts are based on individual sales estimates of the companies. Cash flows beyond the detailed forecast period are extrapolated without growth rates. The components of the discount rates are determined using external financial information systems; the base interest rates used in the reporting period ranged from 0.34 percent (comparative period: 0.94 percent) to 2.45 percent (comparative period: 3.05 percent); a uniform market risk premium of 7.5 percent (comparative period: 7.0 percent) was applied in the reporting period. In the period under review, the peer group consisted of eight companies (comparable period: eight companies) based in Europe and the USA.

In the reporting period, the goodwill of the cash-generating unit "HPM Incorporated" was fully impaired as a result of the impairment test carried out as of December 31, 2019. The cash-generating unit was defined at the level of the subsidiary based in the USA. The impairment resulted in an expense of EUR 13,332 thousand recognized in the result for the period under "Depreciation, amortization and impairment of property, plant and equipment and intangible assets", which is attributable to the IT Solutions segment. The reason why the value in use was lower than the carrying amount was due to lower estimates of future cash flows caused by the loss of major customers and the slower than originally planned conversion of business activities to managed service concepts with the associated decline in earnings. The recoverable amount (value in use) for the cash-generating unit "HPM Incorporated" amounted to EUR 2,654 thousand at the end of the reporting period. The discount rates shown in the above table were used to determine the value in use at the end of the reporting period and at the end of the comparative period. No further impairment of goodwill occurred in the period under review.

In the comparative period and prior periods, the CANCOM Group did not recognize any impairment losses on goodwill.

For the cash-generating unit "Ocean Group", the recoverable amount exceeded the carrying amount by EUR 9,505 thousand. it was examined whether a lower sales growth and a higher discount rate would have necessitated an impairment of goodwill. The sensitivity analyses showed that if average revenue growth for the period 2021 to 2024 had been 0.87 per cent lower in absolute terms or if the discount rate had been 1.62 per cent higher in absolute terms, the recoverable amount would have corresponded to the carrying amount.

8.4. Rights of use

Rights of use are allocated to the following classes in the CANCOM Group:

- Rights of use for land and buildings,
- Rights of use for operating and office equipment,
- Rights of use for motor vehicles.

The development of the individual classes can be seen in the consolidated statement of changes in fixed assets for the reporting period and the comparative period. For further information on leases, please refer to section D. 3 of the consolidated financial statements.

8.5. Financial assets and loans

Financial assets and loans in the reporting period relate to investments in medium-term notes of EUR 4,000 thousand (previous year: EUR 4,000 thousand), financial investments of EUR 5 thousand (previous year: EUR 0 thousand) and loans to former subsidiaries of EUR 0 thousand (previous year: EUR 1,206 thousand).

9. Deferred taxes

Deferred tax assets for the reporting period and the comparison period are composed as follows:

Deferred tax assets from Aktive latente Steuern aus	**temporary differences (in T€)**	**Tax losses carried forward (in T€)**
As of Jan. 1, 2019	5,772	298
Additions from capitalization not affecting net income due to initial consolidation	297	0
Addition from the recognition of actuarial losses from pension provisions directly in equity	136	0
Tax expense/income in the result for the period	1,256	-166
Tax expense in the result for the period, which is included in the result from discontinued operations	-79	0
Deferred taxes recognized in equity in connection with stock options	375	0
Exchange differences recognized directly in equity	-60	6
As of December 31, 2019	**7,697**	**138**
As of January 1, 2018 (adjusted*)	7,036	362
Additions from capitalization not affecting net income due to initial consolidation	296	248
Disposal from recognition of actuarial losses from pension provisions directly in equity	-1	0
Tax expense/income in net income for the period (adjusted*)	-1,655	-319
Exchange differences recognized directly in equity	96	7
As of December 31, 2018 (adjusted*)	**5,772**	**298**

*) See the explanations in section A. 7.3 of the consolidated financial statements.

Status January 1, 2018 (before adjustment)	5,023	362
Additions from capitalization not affecting net income due to initial consolidation	296	248
Disposal from recognition of actuarial losses from pension provisions directly in equity	-1	0
Tax expense/income in net income for the period (before adjustment)	-2,225	-319
Exchange differences recognised directly in equity	96	7
Status December 31, 2018 (before adjustment)	**3,189**	**298**

In the period under review, the CANCOM Group had corporation tax loss carryforwards of EUR 687 thousand (previous year: EUR 3,700 thousand) and trade tax loss carryforwards of EUR 11 thousand (previous year: EUR 0). The amount of unused losses for which no deferred tax asset was recognized in the balance sheet was EUR 171 thousand in the reporting period (previous year: EUR 2,500 thousand). No amounts of these unrecognized tax losses carried forward will be lost over time. Based on the planned tax results, it is expected that the deferred tax assets from loss carryforwards will be realized.

Deferred tax assets from temporary differences in the reporting period result from differences in other financial liabilities of EUR 20,444 thousand (prior year: EUR 11,966 thousand), rights of use of EUR -19,055 thousand (prior year: EUR -11,407 thousand), goodwill of EUR 1,869 thousand (prior year: EUR 0 thousand), property, plant and equipment of EUR 1,029 thousand (prior year: EUR 1,132 thousand), intangible assets of EUR 964 thousand (prior year: EUR 681 thousand), share-based payments of EUR 705 thousand (prior year: EUR 0 thousand), contractual liabilities of EUR 516 thousand (prior year adjusted: EUR 2, thousand).583 thousand; before adjustment: EUR 0 thousand), pension provisions of EUR 502 thousand (prior year: EUR 425 thousand), loans of EUR 357 thousand (prior year: EUR 88 thousand), other provisions of EUR 251 thousand (prior year: EUR 151 thousand), other liabilities of EUR 89 thousand (prior year: EUR 102 thousand) and other balance sheet items of EUR 26 thousand (comparative period: EUR 51 thousand

Deferred tax liabilities for the reporting period and the comparison period are composed as follows:

Deferred tax liabilities from	**temporary differences (in T€)**
As of January 1, 2019	17,121
Additions from capitalization not affecting net income due to initial consolidation	4,335
Tax expense/income in the result for the period	-4,051
Exchange differences recognized directly in equity	2,038
As of December 31, 2019	**19,443**
As of January 1, 2018 (adjusted*)	17,205
Additions from capitalization not affecting net income due to initial consolidation	4,344
Disposal from recognition of actuarial losses from pension provisions directly in equity	-11
Tax expense/income in net income for the period (adjusted*)	-4,640
Exchange differences recognised directly in equity	223
As of December 31, 2018 (adjusted*)	**17,121**

*) See the explanations in section A. 7.3 of the consolidated financial statements.

Status January 1, 2018 (before adjustment)	16,015
Additions from capitalization not affecting net income due to initial consolidation	4,344
Disposal from recognition of actuarial losses from pension provisions directly in equity	-11
Tax expense/income in net income for the period (before adjustment)	-4,969
Exchange differences recognized directly in equity	223
Status December 31, 2018 (before adjustment)	**15,602**

Deferred tax liabilities are recognized for differences to the tax balance sheets. In the period under review, they result from deviations from the recognition and revaluation of intangible assets amounting to EUR 11,188 thousand (comparative period: EUR 11,051 thousand), from software development costs amounting to EUR 3,146 thousand (comparative period: EUR 1,452 thousand), from loans to affiliated companies amounting to EUR 2,018 thousand (comparative period: EUR 288 thousand), from other financial assets amounting to EUR 990 thousand (comparative period: EUR 1,339 thousand), from capitalized contract costs of EUR 817 thousand (comparative period: EUR 314 thousand), from property, plant and equipment of EUR 530 thousand (comparative period: EUR 360 thousand), from financial assets of EUR 373 thousand (comparative period: EUR 0 thousand), from other provisions of

EUR 114 thousand (comparative period adjusted: EUR 748 thousand; before adjustment: EUR 22 thousand), from contract assets of EUR 87 thousand (comparative period: EUR 107), from other financial liabilities of EUR 56 (comparative period: EUR 0), from rights of use of EUR 43 (comparative period: EUR 0), from trade receivables of EUR 42 (comparative period: 26 thousand), other assets of EUR 39 thousand (comparative period adjusted: EUR 834 thousand; before adjustment: EUR 40) thousand), goodwill of EUR 0 thousand (comparative period: EUR 585 thousand) and other liabilities of EUR 0 thousand (comparative period: EUR 18 thousand).

Please refer to section A. 2.2 of the consolidated financial statements for an explanation of the differences arising from initial consolidation.

In the period under review, no deferred tax liabilities were recognized for temporary differences in connection with investments in subsidiaries amounting to € 5,306 thousand (comparative period: EUREUR 1,941 thousand) in accordance with IAS 12.39.

Deferred taxes are measured at the respective tax rates ranging from 17 percent (British subsidiaries) to 31.74 percent (subsidiary based in, among others, Aachen and Cologne Deferred taxes are measured at the tax rate applicable on the respective balance-sheet date, which ranged from 17 percent (British subsidiaries) to 31.74 percent (subsidiaries based, among others, in Aachen and Cologne) at the end of the reporting period.

10. Amounts owed to credit institutions

The current liabilities to banks are as follows:

(in T€)	Dec. 31, 2019	Dec. 31, 2018
Short-term subordinated loans	1,339	1,753
Other short-term loans	5,843	904
Short-term liabilities to banks, as shown in the balance sheet	**7,182**	**2,657**

Non-current liabilities to banks are broken down as follows:

(in T€)	Dec. 31, 2019	Dec. 31, 2018
Long-term subordinated loans	0	1,338
Other long-term loans	218	2,051
Non-current liabilities to banks, balance sheet disclosure	**218**	**3,389**

11. Accounts payable for goods and services

The trade payables for the reporting period are mainly composed of liabilities for delivered merchandise and liabilities for purchased services.

Information on currency and liquidity risks with respect to trade payables is provided in section D.6.2 and section D.6.3 of the consolidated financial statements.

12. Other financial liabilities

Die sonstigen kurzfristigen finanziellen Schulden stellen sich wie folgt dar:

(in T€)	Dec. 31, 2019	Dec. 31, 2018
Purchase price liabilities for the acquisition of shares in CANCOM LTD (Novosco Group Limited)	21,171	0
Leasing liabilities	11,491	9,550
Financial liabilities to financial service providers	14,563	0
Accounts receivable with creditors	5,243	2,505
Financial liabilities to leasing companies	4,923	0
Purchase price liabilities for the a cquisition of shares in medocino Gesellschaft für vernetzte Systeme mbH	600	0
Outstanding cost invoices	437	530
Purchase price liabilities for the acquisition of shares in CANCOM UK Holdings Limited (CANCOM UK TOG Limited)	414	324
Remuneration of the Supervisory Board	316	400
Purchase price liabilities for the acquisition of shares in CANCOM Synaix GmbH	0	4,374
Liabilities to former affiliated companies	0	2,776
Purchase price liabilities for the acquisition of shares in CANCOM Ocean Ltd (Ocean Intelligent Communications Ltd)	0	559
Other current financial liabilities, as reported in the balance sheet	**59,158**	**21,018**

Other non-current financial liabilities are composed as follows:

(in T€)	Dec. 31, 2019	Dec. 31, 2018
Leasing liabilities	61,829	32,471
Purchase price liabilities for the acquisition of shares in CANCOM LTD (Novosco Group Limited)	28,857	0
Purchase price liabilities for the acquisition of shares in CANCOM LTD (CANCOM UK TOG Limited	11,983	0
Purchase price liabilities for the acquisition of shares in CANCOM Ocean Ltd (Ocean Intelligent Communications Ltd)	10,818	12,533
Purchase price liabilities for the a cquisition of shares in CANCOM UK Holdings Limited (CANCOM UK TOG Limited	10,446	0
Financial liabilities to leasing companies	2,252	0
Purchase price liabilities for the acquisition of shares in CANCOM LTD	0	7,827
Other non-current financial liabilities, as reported in the balance sheet	**126,185**	**52,831**

13. Provisions (excluding pension provisions)

Provisions (excluding pension provisions) developed as follows in the reporting period:

(in T€)	As of Jan. 1, 2019 (adjusted*)	Status Jan. 1, 2019 (before adjustment)	Feeding first cons.	Consump-tion	Resolution	Zuführung	Currency-effects	As at Dec. 31, 2019
Anniversary provisions [1]	649	649	0	0	0	346	0	995
Acquisition costs	339	339	9	344	1	482	5	490
Severance payments, salaries	435	435	0	23	0	67	10	489
Uncertain risks	87	87	0	13	0	96	0	170
Warranties	275	2,609	0	206	9	72	0	132
Archiving costs	149	149	0	0	81	0	0	68
Decommissioning obligations	40	40	0	0	40	23	0	23
Copyright levies	1,014	1,014	0	0	1,014	0	0	0
Other [2]	1,178	1,178	0	665	387	52	0	178
	4,166	**6,500**	**9**	**1,251**	**1,532**	**1,138**	**15**	**2,545**

*) See the explanations in section A. 7.3 of the consolidated financial statements.

1) Shown in the consolidated financial statements of the comparative period in the provisions schedule under the item "Severance payments, salaries".

2) In the consolidated financial statements of the comparative period, the item "Interest expense" was shown separately in the provisions schedule.

The total amount of provisions shown in the previous table includes non-current provisions of EUR 1,412 thousand (comparative period adjusted: EUR 2,025 thousand; before adjustment: EUR 3,266 thousand), which are reported under "non-current other provisions". They mainly relate to provisions for jubilee benefits amounting to EUR 995 thousand (prior year: EUR 649 thousand), provisions for severance payments and salaries amounting to EUR 315 thousand (prior year: EUR 344 thousand) and provisions for archiving costs amounting to EUR 55 thousand (prior year: EUR 122 thousand).

The cash outflows for anniversary bonuses are expected to occur within a period up to 2059. The short-term provisions for severance payments made in the reporting period generally lead to payments in the following year. Long-term provisions for severance payments and salaries will generally result in payments within a period until the end of 2027.

14. Liabilities from income taxes

Income tax liabilities mainly comprise income tax obligations resulting from the reporting period and the comparison period.

15. Other liabilities

Other current liabilities are as follows:

(in T€)	Dec. 31, 2019	Dec. 31, 2018
Sales tax liabilities	18,584	16,333
Liabilities for management and employee bonuses	14,139	13,057
Liabilities for wage and church tax	4,833	4,472
Liabilities for holidays and overtime	2,568	2,935
Liabilities to professional associations	762	808
Liabilities for social security	762	206
Liabilities for capital gains tax	436	2,290
Accounts payable for wages and salaries	341	246
Liabilities from severely handicapped levies	241	215
Credit card liabilities	148	170
Liabilities for travel expenses	108	77
Other liabilities	169	384
Other current liabilities, balance sheet disclosure	**43,091**	**41,193**

16. Long-term pension provisions

The pension obligations of EUR 1,969 thousand(previous year: EUR 1,783 thousand) recognized in the balance sheet consist exclusively of obligations for pensions for active and former employees based on defined benefit plans that were assumed as part of company acquisitions and are employer-financed. These are mainly pension obligations from one pension plan and from several individual commitments. The risks relate to disability, mortality and longevity risks as well as risks from uncertain adjustments to pension benefits; there are also financing risks resulting from the commitments. The net liability from pension plans amounts to EUR 1,969 thousand (comparative period: EUR 1,872 thousand) and the net asset value from pension plans amounts to EUR 0 thousand (comparative period: EUR 89 thousand).

The amount of the pension commitments from the pension plans in Germany is based on the length of service and remuneration of the individual employees or on fixed commitments.

No significant risks associated with the defined benefit obligations are expected. Almost half of the obligations are covered by plan assets, which either include cover for the longevity risk in the pension plan or, in the case of reinsurance policies, provide for the right to choose a pension.

The development of the pension obligation and the plan assets for the defined benefit plans are as follows:

(in T€)	2019	2018
Change in pension obligation		
Status of defined benefit obligation at 1.1.	3,605	3,474
Current service cost: Present value of the entitlements earned in the period	54	103
Past service cost	-319	0
Revaluations: actuarial gains (-) and losses (+) from		
- Changes in demographic assumptions	0	58
- Changes in financial assumptions	407	33
- Changes in experience adjustment	-7	-114
Interest expense	62	67
Pension payments	-16	-16
Status of defined benefit obligation as of December 31	**3,786**	**3,605**

(in T€)	2019	2018
Change in plan assets		
Fair value of plan assets as at 1.1.	1,822	1,432
Revaluations: Gains and losses excluding interest income	-41	-45
Interest income*	35	81
Contributions made by the employer (contributions to plan assets)	4	357
Pension payments from the plan assets	-3	-3
Fair value of plan assets as of December 31	**1,817**	**1,822**
Composition		
Defined benefit obligation as of December 31	3,786	3,605
Fair value of plan assets as of December 31	-1,817	-1,822
Pension obligation recognized in the balance sheet as of December 31	**1,969**	**1,783**
thereof		
Net asset value from pension plans	0	-89
Net liability from pension plans	1,969	1,872

*) In the consolidated financial statements for the comparative period, the total amount shown here for 2018 was reported under the item "Actual return on plan assets" (TEUR 58 thousand) and under the item "Income/expenses on plan assets" (EUR 23 thousand).

The classification of the pay-related commitments has been adjusted to reflect the amended contractual arrangements. As a result, the Group's defined benefit obligation decreased by EUR 319 thousand (comparative period: EUR 0 thousand). Corresponding income from past service cost was recognized in the period under review in the presentation of the result for the period.

The plan assets consist of pension fund assets and reinsurance policies managed independently by various providers. The plan assets consist of fund assets with a fair value of EUR 1,154 thousand (prior year: EUR 1,168 thousand) at the end of the reporting period and reinsurance policies with a fair value of EUR 663 thousand (prior year: EUR€ 654 thousand) at the end of the reporting period. CANCOMs' management regularly reviews, based on actual or expected cash flows from plan assets, whether the investment mix compensates as far as possible for the risks arising from the defined benefit pension commitments.

In the comparative period, a reinsured direct pension commitment was transferred to an indirect pension commitment to a pension fund. Income of EUR 58 thousand was generated from the payment of the reinsurance policies.

The following assumptions were used to determine the defined benefit obligation:

	2019 (in %)	2018 (in %)
Interest rate	1.20	1.85
Trend in salaries	0.00	2.00
Pension dynamics	1.31	0.0 - 1.5

The biometric calculation bases were taken from the Heubeck mortality tables 2018 G. The pay-related commitments granted in addition to the fixed pension commitments are capped at a maximum amount due to a changed contractual classification and as a result a salary trend has no effect. Future pension increases are shown in the reporting period as a weighted average value, taking into account contractually stipulated agreements.

The average term of the pension obligations in the reporting period is 18.1 years (comparative period: 18.9 years).

The total expense for the pension plans according to IAS 19 in the reporting period and in the comparative period is composed as follows:

	2019 (in T€)	2018 (in T€)
Current service cost	54	103
Past service cost	-319	0
Gains (-) or losses (+) from revaluations	441	22
Net interest income (-)/expense (+)	27	-14
	203	111

The following table shows the percentage effect on the defined benefit obligation at the balance sheet date of a change in the assumptions made, assuming the other assumptions remain unchanged:

	Change absolute in %	Sensitivity 2019 in %	Sensitivity 2018 in %
Interest rate	+1.00	-15.85	-16.44
	-1.00	20.35	21.22
Trend in salaries	+0.50	0.00	0.67
	-0.50	0.00	-0.64
Pension dynamics	+0.50	2.49	2.66
	-0.50	-2.36	-2.52

The above sensitivity analyses were carried out using an actuarial method that shows the effect on the defined benefit obligation of realistic changes in the key assumptions at the end of the reporting or comparison period.

In the reporting period, expenses for pension obligations are expected to amount to EUR 37 thousand (previous year: EUR 99 thousand) and contributions to plan assets are expected to amount to EUR 106 thousand (previous year: EUR 88 thousand). In addition, pension payments of EUR 24 thousand (previous year: EUR 20 thousand) are expected for the following year of the reporting period.

In the period under review, the expenses recorded for defined contribution plans amounted to EUR 949 thousand (comparative period: EUR 486 thousand).

17. Equity

17.1. Capital stock

The company's share capital was increased by EUR 3,504 thousand in December 2019 through a capital increase of about 10 per cent. As at December 31, 2019, CANCOM SE's share capital amounted to EUR 38,548 thousand in accordance with the Articles of Association (previous year: EUR 35,044 thousand) and was divided into 38,548,001 no-par-value shares (no-par-value shares with a notional value of € 1 per share) (previous year: 35,043,638 no-par-value shares).

Authorized and conditional capital

In accordance with the Articles of Association, the Company's share capital (Authorized Capital I/2018) totals EUR 7,009 thousand (previously: EUR 10,513 thousand) as of December 31, 2019 and is determined as follows:

By resolution of the Annual General Meeting on June 14, 2018, the Management Board is authorized, with the approval of the Supervisory Board, to increase the Company's capital stock on one or more occasions in the period up to June 13, 2023 by up to a total of EUR 7,009 thousand (comparative period: EUR 10,513 thousand) by issuing up to 7,008,728 (comparative period: 10,513,091) new bearer shares in return for cash and/or non-cash contributions (Authorized Capital I/2018). In principle, the shareholders are to be granted a subscription right. However, the Executive Board is authorized, with the approval of the Supervisory Board, to exclude the statutory subscription right of shareholders in the following cases:

- for residual amounts;
- if a capital increase in return for cash contributions does not exceed 10 percent of the share capital and the issue price of the new shares is not significantly lower than the stock market price (Section 186 (3) sentence 4 of the German Stock Corporation Act); when making use of this authorization under exclusion of subscription rights in accordance with Section 186 (3) sentence 4 of the German Stock Corporation Act, the exclusion of subscription rights on the basis of other authorizations must be taken into account in accordance with Section 186 (3) sentence 4 of the German Stock Corporation Act;
- in the case of capital increases against contributions in kind for the purpose of granting new shares for the purpose of acquiring companies or equity interests in companies or parts of companies or for the purpose of acquiring receivables from the Company

The total number of shares issued on the basis of the above authorization, excluding subscription rights in the case of capital increases against cash and/or non-cash contributions, may not exceed a proportionate amount of 20 percent of the share capital either at the time of the resolution or at the time of exercising this authorization. This maximum limit of 20 percent of the share capital shall include the pro rata amount of the share capital (i) attributable to shares of the Company that are issued by the Management Board during the term of the authorized capital under exclusion of subscription rights in accordance with Section 186 (3) sentence 4 of the German Stock Corporation Act or against contributions in kind or sold as treasury shares and (ii) attributable to shares of the Company, which are issued or are to be issued during the term of the authorized capital from conditional capital to service option or convertible bonds, which in turn are issued with the exclusion of subscription rights in accordance with section 186 (3) sentence 4 AktG or against contributions in kind by the Management Board during the term of the authorized capital.

The Management Board decides on the further content of the respective share rights and the conditions for implementing capital increases with the approval of the Supervisory Board.

In the period under review (2019), the Management Board made use of the above authorization and increased the Company's share capital by EUR 3,504 thousand to EUR 38,548 thousand by issuing 3,504,363 new bearer shares. Thus, the remaining Authorized Capital I/2018 as of December 31, 2019 amounts to EUR 7,009 thousand in accordance with the Articles of Association.

In accordance with the Articles of Association, the contingent capital amounts to EUR 1,500 thousand as of December 31, 2019 and is defined as follows:

The share capital is conditionally increased by up to EUR 1,500 thousand through the issue of up to 1,500,000 new no-par value shares (Conditional Capital I/2018). The conditional capital increase will only be implemented to the extent that the holders of stock options issued by the Company in the period up to June 13, 2023 on the basis of the authorization resolution of the Annual General Meeting of June 14, 2018, exercise their subscription rights to shares of the Company and the Company does not grant treasury shares or a cash settlement in fulfillment of the subscription rights. The new shares of the Company resulting from the exercise of these subscription rights shall participate in the profit from the beginning of the financial year in which they are issued.

The Management Board is authorized, with the approval of the Supervisory Board, to determine the further details of the implementation of the conditional capital increase.

No new shares were issued in the reporting period (2019) using Contingent Capital I/2018.

The Management Board is not aware of any restrictions affecting voting rights or the transfer of shares.

Share buyback program

In addition, the Annual General Meeting on June 26, 2019 authorized the Executive Board of CANCOM SE to acquire own shares up to a total of 10 percent of the capital stock until June 25, 2024. The 10 percent limit is determined by the number of shares in the share capital at the time the authorization takes effect. If the share capital figure is lower at the time this authorization is exercised, this lower figure shall apply. The acquisition is to take place via the stock exchange or via a public purchase offer addressed to the shareholders. In both cases, the purchase price may not be more than 10 percent above or below the arithmetic mean of the closing auction prices of the CANCOM SE share in XETRA trading (or a comparable successor system) on the Frankfurt Stock Exchange on the last three trading days before the purchase or the entering into an obligation to purchase. The repurchase volume may be limited if the shares offered exceed the total amount of the company's purchase offer. The authorization may be exercised for any legally permissible purpose. Under exclusion of shareholders' subscription rights, treasury shares may be transferred to third parties, in particular for the purpose of acquiring companies or equity interests in companies. Treasury shares may also be sold for cash, provided that the purchase price is not significantly lower than the current market price at the time of the sale. Furthermore, treasury shares may also be used to satisfy conversion or option rights granted by the Company or to pay a stock dividend (script dividend). In addition, treasury shares may be promised or transferred to fulfil remuneration agreements and may be offered for purchase to employees and members of the Management Board in connection with the exercise of subscription rights. The Executive Board of CANCOM SE has also been authorized, with the approval of the Supervisory Board, to redeem treasury shares without a further resolution by the Annual General Meeting.

17.2. Additional paid-in capital

The capital reserve was created from premiums from capital increases of CANCOM SE.

In the reporting period, transaction costs of EUR 2,531 thousand (comparative period: EUR 4 thousand) were recognized as a deduction from equity within the capital reserves.

17.3. Retained earnings including profit carried forward and profit for the period

Retained earnings include the Group's past earnings, insofar as these have not been distributed. In addition, revaluations from defined benefit pension plans, after taking deferred taxes into account, are reported in retained earnings. In accordance with the resolution of the Annual General Meeting, EUR 17,522 thousand or € 0.50 per share was distributed as a dividend in 2019 from the unappropriated profit of the financial statements of CANCOM SE for 2018 (comparative period: EUR 17,522 thousand or € 1.00 per share).

In the reporting period, EUR 30,581 thousand was transferred from the unappropriated profit of CANCOM SE's annual financial statements for 2018 to revenue reserves (comparative period: EUR 20,512 thousand from the unappropriated profit of CANCOM SE's annual financial statements for 2017).

In addition, losses (after consideration of deferred taxes) of EUR 305 thousand (prior year: EUR 12 thousand) from the revaluation of defined benefit plans were recognized in retained earnings in the reporting period.

17.4. Other reserves

The other reserves contain gains or losses from the currency translation of foreign operations recognized exclusively in equity in the reporting period and in the comparative period. At the end of the reporting period, cumulative gains of EUR 5,147 thousand (end of the comparative period: EUR 233 thousand) were recognized in equity.

17.5. Non-controlling interests

In the comparative period, the non-controlling interests relate to the portion of equity attributable to the minority shareholders of Pironet AG with headquarters in Cologne. At the beginning of the comparative period this share amounted to 5.04 percent, at the end of the comparative period to 4.91 percent. At the end of the reporting period, 100 percent of the shares in Pironet AG were attributable to the shareholders of the parent company (i.e. the shareholders of CANCOM SE).

In the reporting period, the minority shareholders of Pironet AG were compensated in the course of a squeeze out. This resulted in a reduction in equity of EUR 7,242 thousand and corresponding payments for the acquisition of non-controlling interests. The payments are shown in the consolidated cash flow statement under cash flow from financing activities.

The following is summarized financial information for the Pironet AG subgroup, prepared in accordance with IFRS.

(in T€)	2018
Revenue	56,586
Result for the period	2,576
Profit for the period attributable to non-controlling shareholders	128
Other comprehensive income	0
Total comprehensive income (including result from discontinued operations)	**2,576**
Total comprehensive income attributable to non-controlling shareholders	128
Current assets	41,187
Non-current assets	19,298
Current liabilities	14,788
Non-current liabilities	2,320
Net assets	**43,377**
Net assets attributable to non-controlling shareholders	2,130
Cash flow from operating activities	9,462
Cash flow from investment activities	6,804
Cash flow from financing activities	-1,709
Net increase/decrease in cash and cash equivalents	**14,557**
Dividends paid to non-controlling shareholders	29

17.6. Capital Risk Management

The CANCOM Group manages its capital with the aim of maximising the income of its shareholders by optimising the ratio of equity to debt capital. This ensures that all Group companies can operate under the premise that they will continue as a going concern. The Group's capital structure consists of debt, cash and cash equivalents and equity. The latter is composed of issued shares, revenue reserves and other reserves as well as shares of non-controlling shareholders.

The objectives of capital management are to ensure the Company's ability to continue as a going concern and to provide an adequate return on equity. For implementation, capital is set in relation to total capital. In order to achieve these objectives, management implements capital structure measures (such as conditional capital increases) where necessary or changes the amount of borrowed capital - for example, by borrowing/repaying liabilities to banks or by changing the contracts entered into as lessee.

Capital is monitored on the basis of economic equity. Economic equity is the balance sheet equity according to the consolidated balance sheet. Borrowed capital is defined as the sum of all non-current and current liabilities as shown in the consolidated balance sheet.

The balance sheet equity, liabilities and total capital are as follows:

		As of Dec. 31, 2019	As of Dec. 31, 2018 (adjusted*)	Status Dec. 31, 2018 (before adjustment)
Equity	Mio. €	577.3	387.7	390.2
Equity as percentage of total capital	%	47.9	46.0	46.6
Debt capital	Mio. €	628.1	455.6	447.9
Debt capital in % of total capital	%	52.1	54.0	53.4
Total capital (equity plus debt)	Mio. €	1,205.4	843.3	838.1

*) See the explanations in section A. 7.3 of the consolidated financial statements.

The Company's loan agreements sometimes contain so-called "financial covenants". These are key financial figures for which certain values must be complied with throughout the term of the loan. Financial covenants are therefore an essential part of a loan agreement. Banks use them as an instrument for early risk detection and avoidance by drawing conclusions about the financial situation of the company from the calculated key figures. Compliance with the respective financial covenants is regularly monitored as part of capital risk management. All financial covenants were complied with at all times in the reporting period and the comparable period. The financial covenants in force in the CANCOM Group during the reporting period relate mainly to compliance with minimum values for property, plant and equipment, and to the ratio of financial liabilities to EBITDA.

The Group's capital structure is regularly reviewed as part of risk management.

C. Notes to the consolidated statement of comprehensive income

1. Revenue

The sales revenues for the reporting period and the comparison period are broken down as follows:

(in T€)	2019	2018 (adjusted*)	2018 (before adjustment)
from the sale of goods	1,180,318	1,000,485	1,067,955
from the provision of services	368,975	316,787	310,949
Total	**1,549,293**	**1,317,272**	**1,378,904**
thereof from the sale of goods			
attributable to the Cloud Solutions segment	128,774	90,071	97,958
attributable to the IT Solutions segment	1,051,544	910,414	969,997
thereof from the provision of services			
attributable to the Cloud Solutions segment	171,803	145,443	144,527
attributable to the IT Solutions segment	197,172	171,344	166,422

(in T€)	2019	2018 (angepasst*)	2018 (vor Anpassung)
Revenue from contracts with customers	1,530,440	1,309,943	1,371,575
Leasing proceeds	18,853	7,329	7,329
Total	**1,549,293**	**1,317,272**	**1,378,904**

*) See the explanations in section A. 7.3 of the consolidated financial statements.

The following table shows how revenue from contracts with customers in the reporting period and the comparison period is broken down according to the two options provided under IFRS 15 for the timing of revenue recognition of contracts with customers. The table also shows to which segment the revenues from contracts with customers are attributable.

(in T€)	2019	2018 (adjusted*)	2018 (before adjustment)
Date of revenue recognition			
Products transferred at one point in time	1,161,465	993,156	1,060,626
Products and services transferred over time	368,975	316,787	310,949
Total	**1,530,440**	**1,309,943**	**1,371,575**
thereof			
attributable to the Cloud Solutions segment	299,588	235,514	238,391
attributable to the I T Solutions segment	1,230,852	1,074,429	1,133,184

*) See the explanations in section A. 7.3 of the consolidated financial statements.

In order to determine the total amount of the transaction price allocated to unfulfilled performance obligations at the end of the reporting period (i.e. the contractually fixed open order backlog in accordance with IFRS 15), CANCOM takes into account customer contracts that have a contract volume of at least EUR 500 thousand at the time the contract is concluded, not including later extension options on the part of the customer. Furthermore, with reference to IFRS 15.121 (a), only customer contracts with an expected original term of no more than one year are taken into account. At the end of the reporting period, the contractually fixed open order backlog amounted to EUR 234,151 thousand, of which EUR 66,018 thousand is expected to be realized in financial year 2020, EUR 127,503 thousand in financial years 2021 to 2023 and EUR 40,630 thousand in financial year 2024 or later.

2. Other operating income

Other operating income for the reporting period and the comparative period is composed as follows:

(in T€)	2019	2018
Income relating to other periods	3,953	1,592
Income from government grants	698	544
Rental income	40	424
Income from compensation for damages	39	14
Other operating income	83	51
Total	**4,813**	**2,625**

The income relating to other periods in the reporting period and the comparative period mainly includes income from the sale of fixed assets amounting to EUR 2,320 thousand (comparative period: EUR 979 thousand), income from the reversal of provisions amounting to EUR 1,034 thousand (comparative period: EUR 10 thousand) and income from the derecognition of accounts receivable with creditors amounting to EUR 442 thousand (comparative period: EUR 539 thousand).

Income from government grants includes the benefit from the granting of low-interest loans for the reporting period and the comparative period (see section A. 3.28 and section B. 10 of the consolidated financial statements on loans taken out). It also includes income from performance-related grants. For example, with the acquisition of Novosco Group Limited, the CANCOM Group received a government grant, the amount of which depends on the creation of jobs in the region of Northern Ireland. In the reporting period, income of EUR 376 thousand was received from this. CANCOM may receive further amounts of up to a maximum of EUR 527 thousand until July 31, 2021.

3. Other own work capitalized

Other own work capitalized includes work performed by the company's own employees in connection with the acquisition and manufacture of fixed assets and capitalizable development costs relating to intangible assets. Own work breaks down as follows:

(in T€)	2019	2018
Capitalized development costs	2,871	2,120
Own work capitalized in connection with purchased intangible assets	2,747	2,493
Own work capitalized in connection with purchased property, plant and equipment	89	40
Total	**5,707**	**4,653**

Research and development costs that were not capitalized because they did not meet the recognition criteria in IAS 38 amount to EUR 0 thousand in the reporting period (comparative period: less than EUR 100 thousand).

4. Capitalized contract costs

The capitalized contract costs in the reporting period are contract preparation costs of EUR 1,657 thousand (comparative period: EUR 1,039 thousand). These are broken down into personnel costs for the Group's own employees of EUR 930 thousand (comparative period: EUR 821 thousand), externally procured subcontractor services of EUR 824 thousand (comparative period: EUR 132 thousand), line costs of EUR 0 thousand (comparative period: EUR 53 thousand), legal consultancy costs of EUR 0 thousand (comparative period: EUR 19 thousand) and other costs of EUR 0 thousand (comparative period: EUR 14 thousand). In addition, the reversal of contract initiation costs capitalized in previous periods amounting to EUR -97 thousand (comparative period: EUR 0 thousand) is included.

In addition, the capitalized contract costs in the reporting period include contract performance costs of EUR 899 thousand (comparative period: EUR 0 thousand), which are divided into personnel costs of EUR 624 thousand for Group employees and other costs of EUR 275 thousand (comparative period: EUR 275 thousand).

5. Cost of materials/expenses for purchased services

The cost of materials/costs of purchased services in the reporting period comprise the cost of raw materials, consumables and supplies and of purchased merchandise amounting to EUR 1,016,491 thousand (comparative period adjusted: EUR 864,923 thousand; before adjustment: EUR 925,285 thousand) and the cost of purchased services from the core business amounting to EUR 102,029 thousand (comparative period: EUR 77,136 thousand).

6. Personnel expenses

The personnel expenses for the reporting period and the comparative period are composed as follows:

(in T€)	2019	2018
Wages and salaries	-225,637	-195,767
Social security contributions	-34,942	-31,073
Equity-settled share-based payment transactions	-1,956	-473
Expenditure for pension schemes	-684	-589
Cash-settled share-based payments	-484	-254
Total	**-263,703**	**-228,156**

7. Depreciation

Depreciation and amortization for the reporting period and the comparative period are as follows:

(in T€)	2019	2018
Scheduled depreciation on property, plant and equipment	-18,163	-14,650
Scheduled amortization of intangible assets	0	0
Impairment of intangible assets (excluding goodwill)Scheduled depreciation on rights of use	-23,050	-16,377
Impairment of rights of use	0	0
Impairment of goodwill	-10,316	-8,819
Scheduled depreciation on property, plant and equipment	0	0
Impairment of property, plant and equipment	-13,332	0
Total	**-64,861**	**-39,846**

The amount recognized as impairment of goodwill in the reporting period relates exclusively to the impairment of the cash-generating unit "HPM Incorporated" and is attributable to the IT Solutions segment (see section B. 8.3 of the consolidated financial statements).

8. Other operating expenses

Other operating expenses for the reporting period and the comparative period are composed as follows:

(in T€)	2019	2018 (adjusted*)	2018 (before adjustment)
Entertainment and travel expenses	-9,503	-8,404	-8,404
External services	-8,047	-5,210	-5,423
Repairs, maintenance, rental leasing	-7,065	-4,412	-4,412
Room costs	-5,896	-6,484	-6,484
Costs of the delivery of goods	-5,423	-4,286	-4,286
Legal and consulting fees	-4,253	-4,699	-4,699
Communication and office costs	-3,783	-3,148	-3,148
Vehicle costs	-3,610	-3,276	-3,276
Training costs	-3,102	-2,680	-2,680
Advertising costs	-2,316	-2,217	-2,217
Insurance and other charges	-1,828	-1,679	-1,679
Fees, costs of monetary transactions	-1,127	-780	-780
Stock exchange and representation expenses	-386	-379	-379
Other operating expenses	-4,360	-3,736	-3,736
Total	**-60,699**	**-51,390**	**-51,603**

*) See the explanations in section A. 7.3 of the consolidated financial statements.

9. Interest income and expenses

Interest income is mainly attributable to interest income from taxes of EUR 614 thousand (previous year: EUR 13 thousand) and interest income from receivables from finance leases of EUR 608 thousand (previous year: EUR 887 thousand).

Interest expenses mainly include interest expenses in connection with the sale of receivables amounting to EUR 934 thousand (comparative period: EUR 310 thousand), interest expenses from lease liabilities amounting to EUR 581 thousand (comparative period: EUR 308 thousand), interest expenses from liabilities to banks amounting to EUR 573 thousand (comparative period: EUR 855 thousand), interest expenses from the compounding of purchase price liabilities amounting to EUR 552 thousand (comparative period: EUR 291 thousand) and interest expenses from trade payables amounting to EUR 248 thousand (comparative period: EUR 0 thousand).

10. Other financial result

The other financial result of the reporting period and the comparative period mainly includes income from the revaluation of put/call agreements of EUR 4,613 thousand (comparative period: EUR 496 thousand) and expenses from the revaluation of put/call agreements of EUR 6,049 thousand (comparative period: EUR 0 thousand).

11. Depreciation of financial assets

No write-downs of financial assets were made in the reporting period (comparative period: EUR 210 thousand).

12. Income taxes

The income tax rate for domestic companies was 31.1 percent in the period under review (comparable period: 31.4 percent) and relates to corporation tax, trade tax and the solidarity surcharge. The slight reduction in the income tax rate is due to a slight decrease in the average trade tax multiplier.

The differences between the reported tax expenses and the tax rate of CANCOM SE in the reporting and comparison period are as follows:

(in T€)	2019	2018 (adjusted*)	2018 (before a djustment)
Income before income taxes	50,514	63,354	64,170
Expected tax expense at the tax rate of the domestic companies (reporting period: 31.1 %; comparative period: 31.4 %)	-15,710	-19,893	-20,149
Taxation difference abroad	-14	-41	-32
Change in valuation allowances on deferred tax assets on loss carryforwards	210	-274	-274
Tax-exempt income and losses on disposals that are irrelevant for tax purposes	729	-261	-261
Current income taxes relating to other periods	2,414	18	18
Permanent differences	-1,854	-11	-11
Non-deductible operating expenses and trade tax additions and deductions	-1,711	-807	-807
Effect of tax rate changes	-4	-22	-22
Miscellaneous	308	120	126
Total	**-15,632**	**-21,171**	**-21,412**

*) See the explanations in section A. 7.3 of the consolidated financial statements.

Die tatsächliche Steuerquote ergibt sich in der Berichts- und Vergleichsperiode wie folgt:

(in T€ bzw. in %)	2019	2018 (adjusted*)	2018 (before adjustment)
Profit before income tax	50,514	63,354	64,170
Income tax	-15,632	-21,171	-21,412
Actual tax expense ratio	30,95 %	33,42 %	33,37 %

*) See the explanations in section A. 7.3 of the consolidated financial statements..

Taxes on income comprise the taxes on income paid or owed in the individual countries as well as deferred taxes:

(in T€)	2019	2018 (adjusted*)	2018 (before adjustment)
Actual income tax expense	**-20,773**	**-23,837**	**-23,837**
Deferred income tax expense/ income			
from deferred tax assets	1,090	-1,974	-2,544
from deferred tax liabilities	4,051	4,640	4,969
	5,141	**2,666**	**2,425**
thereof			
Actual income tax expense recognized in the result for the period	-19,631	-23,984	-23,984
Deferred income tax expense/ income recognized in the result for the period	5,141	2,666	2,425
Actual income tax expense/ income recognized in the capital reserve	-1,142	147	147

*) See the explanations in section A. 7.3 of the consolidated financial statements.

13. Result from discontinued operations

The result from discontinued operations includes expenses and income relating to the sale of Pirobase Imperia GmbH in the financial year 2015. The profit for the period (after income taxes) attributable to discontinued operations in the reporting period amounts to EUR 1,750 thousand (comparative period: EUR -114 thousand). Of this amount, EUR 0 thousand (comparative period: EUR -5 thousand) relates to non-controlling interests.

In the reporting period, income from discontinued operations of EUR 1,881 thousand (prior year: EUR 0 thousand) and expenses of EUR 52 thousand (prior year: EUR 114 thousand) were recognized. The income results from the derecognition of a surplus of liabilities after the offsetting of mutual claims based on a settlement. This item also includes income taxes of EUR 79 thousand (prior year: EUR 0 thousand). The result from discontinued operations before income taxes amounts to EUR 1,830 thousand (comparative period: EUR -114 thousand). In the reporting period, payments of EUR 1,966 thousand (comparative period: EUR 100 thousand) resulted from discontinued operations, which were allocated to cash flow from operating activities. In the period under review, there were also payments received from discontinued operations amounting to EUR 1,208 thousand, which were allocated to cash flow from investing activities.

The legal dispute with Pirobase Imperia GmbH was ended by settlement in the reporting period.

14. Profit for the period attributable to non-controlling interests

The net profit for the period attributable to non-controlling shareholders is mainly due to the majority shareholding in Pironet AG, Cologne. For summarized financial information on Pironet AG, Cologne, subgroup, please refer to section B. 17.5 of the consolidated financial statements.

15. Earnings per share

15.1. Undiluted earnings per share

The undiluted result was influenced by the following in the reporting and comparison period:

- Implementation of a conditional capital increase in 2019 (reporting period);

- Implementation of a share split in 2018 (comparative period).

As a result of the conditional capital increase in the period under review, the average number of shares in circulation, which were used to determine the undiluted earnings per share from continuing and discontinued operations, increased by 249,626 from 35,043,638 to 35,293,264. As a result of the share split, the average number of shares in circulation increased in the comparison period by 18,332,073 from 16,711,565 to 35,043,638.

The calculation of basic earnings per share from continuing operations in the reporting period was based on an amount of EUR 34,828 thousand (comparative period adjusted: EUR 42,055 thousand; before adjustment: EUR 42,630 thousand). This is determined on the basis of the profit for the period attributable to the shareholders of the parent company of ERU 36,578 thousand (comparative period adjusted: EUR 41,941 thousand; before adjustment: EUR 42,516 thousand) less the profit from discontinued operations of EUR 1,750 thousand (comparative period: EUR -114 thousand).

In the reporting period, an amount of EUR 1,750 thousand (comparative period: EUR -114 thousand) was used as the numerator for calculating basic earnings per share from discontinued operations.

15.2. Diluted earnings per share

The calculation of diluted earnings per share from continuing and discontinued operations includes an additional 9,455 shares in the reporting period (comparative period: additional 0 shares) compared with the number of shares used to calculate basic earnings. In the reporting and comparison period, this is the weighted average number of shares for the period from the issue of the stock options on August 17, 2018 to December 31, 2019 that would have been issued if the options had been exercised.

In the numerator, an amount of EUR 34,828 thousand (comparative period adjusted: EUR 42,055 thousand; before adjustment: EUR 42,630 thousand) was used to calculate diluted earnings per share from continuing operations in the reporting period and in the comparative period, i.e. there were no adjustments to the numerator of basic earnings per share from continuing operations.

In the period under review, an amount of EUR 1,750 thousand (comparative period: EUR -114 thousand) was used as the numerator for calculating diluted earnings per share from discontinued operations; likewise, no adjustments were made to the numerator for basic earnings per share from discontinued operations.

D. Other information

1. Notes to the consolidated cash flow statement

The consolidated cash flow statement is prepared in accordance with the requirements of IAS 7. This requires a distinction to be made between cash flows from operating activities, investing activities and financing activities. Cash flow from operating activities is calculated using the indirect method.

The cash and cash equivalents in the cash flow statement comprise all cash and cash equivalents reported in the balance sheet (i.e. cash on hand and checks and bank balances), provided they are available within three months. Cash and cash equivalents are not subject to any restraints on disposal.

The following table shows a reconciliation of the liabilities from financing activities (liabilities to banks and leasing liabilities; the latter are shown under the balance sheet items "other current financial liabilities" and "other non-current financial liabilities"), which shows the changes that occurred during the reporting period:

(in T€)	As of Jan. 1, 2019	Changes affecting payments	Non-cash changes					As at Dec. 31, 2019
			from company acquisitions	from exchange rate differences	from newly concluded contracts	from fair value changes	from other changes	
Amounts owed to credit institutions	6,046	660	191	193	0	0	310	7,400
Leasing liabilities	42,021	-11,084	2,848	377	38,835	568	-245	73,320
Financial liabilities to leasing companies	0	15,369	0	0	0	0	0	15,369
	48,067	**4,945**	**3,039**	**570**	**38,835**	**568**	**65**	**96,089**

In the reporting period, the sale and leaseback transaction of a property in Jettingen-Scheppach was carried out via a leasing property company (see also section A. 2.1 of the consolidated financial statements). The sale of the property to the special purpose leasing company was carried out by way of a contribution in exchange for the issue of company shares and therefore represents a significant non-cash transaction. In connection with the withdrawal of company funds, CANCOM has, from an economic point of view, received a cash inflow from the disinvestment of property, plant and equipment; the cash inflow of EUR 26,000thousand is therefore allocated to cash flow from investing activities.

Apart from the non-cash transactions shown in the previous table and in the previous section, there were no material non-cash transactions in the financing area in the period under review or the comparison period. Significant investment transactions for which no cash or cash equivalents were used in the reporting period or the comparative period were parts of the consideration paid for the acquisition of the Novosco Group, the CANCOM UK Group (formerly OCSL Group) and the Ocean Group. As consideration, equity instruments of the acquiring company were granted, for which corresponding put/call agreements were concluded (see section A. 2.2 of the consolidated financial statements). In the reporting period, the cash changes in leasing liabilities include payments for leasing incentives received of EUR 187 thousand (comparative period EUR 0 thousand).

In the reporting period and in the comparative period, CANCOM entered into additional agreements with suppliers which enable them to sell their receivables to financial service providers. Depending on whether or not the additional agreement in relation to the original supplier contract represents a material contractual change in accordance with IFRS 9, the resulting trade payables must be derecognized or remain in existence. The first derecognition results in CANCOM reporting the amounts under the balance sheet item "other current financial liabilities" as "financial liabilities to financial service providers". In the cash flow statement, the changes in such financial liabilities to financial service providers are shown within the cash flow from operating activities, since from an economic point of view the payments are payments in connection with the CANCOM Group's operating activities.

2. Segment reporting

Segment information is provided in accordance with the provisions of IFRS 8. The segment information is based on the segmentation used for internal management purposes.

The Group reports two business segments - Cloud Solutions and IT Solutions.

Management controls the CANCOM Group on the basis of the services, goods and software offered in these two business segments. The Cloud Solutions segment differs from the IT Solutions segment in its field of activity and in its trading and service processes. In addition, the two business segments differ in terms of the growth strategy pursued in each case and in terms of their general strategic importance.

The CANCOM Group does not optionally combine business segments for reporting purposes.

Segment information

Segment information	cloud solutions			IT solutions		
(in T€)	Jan. 1, 2019 until Dec. 31, 2019	Jan. 1, 2018 until Dec. 31, 2018 (adjusted*)	Jan. 1, 2018 to Dec. 31, 2018 (before adjustment)	Jan. 1, 2019 until Dec. 31, 2019	Jan. 1, 2018 until Dec. 31, 2018 (adjusted*)	Jan. 1, 2018 to Dec. 31, 2018 (before adjustment)
Revenue						
Revenue from external customers	300,577	235,514	242,485	1,248,711	1,081,758	1,136,419
Inter-segment sales	8,776	8,919	8,919	12,693	7,043	7,043
Total income	309,353	244,433	251,404	1,261,404	1,088,801	1,143,462
Cost of materials/expenses for purchased services	-162,454	-124,736	-131,645	-975,299	-832,280	-885,733
Personnel expenses	-60,674	-49,832	-49,832	-191,363	-168,948	-168,948
Other income and expenses	-13,190	-9,969	-9,969	-32,763	-28,300	-28,514
EBITDA	73,035	59,896	59,958	61,979	59,273	60,267
Scheduled depreciation and amortization	-13,317	-9,288	-9,288	-20,394	-17,220	-17,220
Scheduled amortization and impairment losses	-11,082	-9,757	-9,757	-19,739	-3,223	-3,223
Operating result (EBIT)	48,636	40,851	40,913	21,846	38,830	39,824
Interest income	276	456	456	1,014	485	485
Interest expenses	-149	-853	-852	-4,085	-2,591	-2,832
Other financial result Income	0	495	495	1,793	101	101
Other financial result Expenses	0	0	0	-40	-194	-194
Income from investments	0	0	0	0	27	27
Depreciation of financial assets	0	0	0	0	-5	-5
Currency gains/losses						
Income before income taxes	48,763	40,949	41,012	20,528	36,653	37,406
Income taxes						
Result from discontinued operations	1,750	-108	-108	0	-6	-6
Result for the period						
thereof attributable to shareholders of the parent company						
thereof attributable to non-controlling shareholders						

*) See the explanations in section A. 7.3 of the consolidated financial statements.

	Total operating segments			Other companies			Reconciliation statement			Consolidated		
	Jan. 1, 2019 until Dec. 31, 2019	Jan. 1, 2018 until Dec. 31, 2018 (adjusted*)	Jan. 1, 2018 to Dec. 31, 2018 (before adjustment)	Jan. 1, 2019 until Dec. 31, 2019	Jan. 1, 2018 until Dec. 31, 2018 (adjusted*)	Jan. 1, 2018 to Dec. 31, 2018 (before adjustment)	Jan. 1, 2019 until Dec. 31, 2019	Jan. 1, 2018 until Dec. 31, 2018		Jan. 1, 2019 until Dec. 31, 2019	Jan. 1, 2018 until Dec. 31, 2018 (adjusted*)	Jan. 1, 2018 to Dec. 31, 2018 (before adjustment)
	1,549,288	1,317,272	1,378,904	5	0	0						
	21,469	15,962	15,962	32	105	105	-21,501	-16,067				
	1,570,757	1,333,234	1,394,866	37	105	105	-21,501	-16,067		1,549,293	1,317,272	1,378,904
	-1,137,753	-957,016	-1,017,378	-45	0	0	19,278	14,957		-1,118,520	-942,059	-1,002,421
	-252,037	-218,780	-218,780	-11,666	-9,376	-9,376	0	0		-263,703	-228,156	-228,156
	-45,953	-38,269	-38,483	-4,092	-6,060	-6,060	2,223	1,110		-47,822	-43,219	-43,433
	135,014	119,169	120,225	-15,766	-15,331	-15,331	0	0		119,248	103,838	104,894
	-33,711	-26,508	-26,508	-329	-358	-358	0	0		-34,040	-26,866	-26,866
	-30,821	-12,980	-12,980	0	0	0	0	0		-30,821	-12,980	-12,980
	70,482	79,681	80,737	-16,095	-15,689	-15,689	0	0		54,387	63,992	65,048
	1,290	941	941	4,626	2,656	2,656	-4,614	-2,640		1,302	957	957
	-4,234	-3,444	-3,684	-3,418	-1,132	-1,132	4,614	2,640		-3,038	-1,936	-2,176
	1,793	596	596	2,986	0	0	0	0		4,779	596	596
	-40	-194	-194	-6,048	0	0	0	0		-6,088	-194	-194
	0	27	27	0	0	0	0	0		0	27	27
	0	-5	-5	0	-205	-205	0	0		0	-210	-210
							-828	122		-828	122	122
	69,291	77,602	78,418	-17,949	-14,370	-14,370	-828	122		50,514	63,354	64,170
							-15,632	-21,171		-15,632	-21,171	-21,412
	1,750	-114	-114	0	0	0	0	0		1,750	-114	-114
										36,632	**42,069**	**42,644**
										36,578	41,941	42,516
										54	128	128

2.1. Description of the reportable segments

The Cloud Solutions operating segment includes the companies CANCOM Managed Services GmbH (formerly Pironet AG), Ocean Intelligent Communications Ltd, Ocean Unified Communications Ltd, Ocean Network Services Ltd, CANCOM Slovakia s.r.o. plus the business unit of CANCOM GmbH, CANCOM on line GmbH, CANCOM UK Managed Services Limited, Novosco Ltd and Novosco Limited, which is allocated to the "Cloud Solutions" segment. This business segment includes the CANCOM Group's cloud and shared managed services business, including the cloud hardware, software and service businesses allocated to the projects. The range of services includes analysis, consulting, delivery, implementation and services, thus providing customers with the necessary orientation and support for the transformation of their corporate IT into the cloud. As part of its range of services, the CANCOM Group is able to take over the complete or partial operation of IT for customers with scalable cloud and managed services - especially shared managed services. Selling expenses attributable to cloud sales are included in the segment. The cloud business also benefits from synergies with general CANCOM sales and marketing, the costs of which are allocated to the IT Solutions reporting segment. There are asymmetrical allocations here; with symmetrical allocations, the personnel expenses allocated to the Cloud Solutions reporting segment would be correspondingly higher and the key performance indicator EBITDA correspondingly lower. In the reporting period and in the prior-year period, this had no effect on the allocation of resources by management to the reporting segments.

The IT Solutions business segment includes the companies CANCOM GmbH, CANCOM Computersysteme GmbH, CANCOM a + d IT solutions GmbH, CANCOM (Switzerland) AG, CANCOM ICT Service GmbH, CANCOM on line GmbH, Cancom on line B.V.B.A., CANCOM physical infrastructure GmbH, CANCOM Inc, HPM Incorporated, CANCOM UK TOG Limited (formerly The Organised Group Ltd), CANCOM UK Limited (formerly Organised Computer Systems Ltd), CANCOM UK Managed Services Limited (formerly OCSL Managed Services Ltd), CANCOM UK Professional Services Limited (formerly OCSL Project Services Ltd), M.H.C. Consulting Services Ltd, OCSL Employee Services LLP, OCSL ITO Limited, OCSL Property LLP, Novosco Group Limited, Novocso Ltd and Novosco Limited minus the area of CANCOM GmbH, CANCOM on line GmbH, CANCOM UK Managed Services Limited, Novosco Ltd and Novosco Limited attributable to the "Cloud Solutions" segment and the "Other Companies" segment. With this business segment, the CANCOM Group offers comprehensive support for all aspects of IT infrastructure and applications. It includes IT strategy consulting, project planning and implementation, system integration, IT procurement via e-procurement services or within the framework of projects, and professional IT services and support.

The "other companies" segment includes CANCOM SE, CANCOM VVM GmbH, CANCOM Financial Services GmbH, CANCOM LTD, CANCOM Ocean Ltd, CANCOM UK Holdings Limited and CANCOM GmbH, plus the area of CANCOM GmbH allocated to the "other companies" segment. CANCOM SE and the area of CANCOM GmbH allocated to this segment include the staff or management function. As such, it provides a range of services to its subsidiaries. This area also includes the costs of central Group management and investments in internal Group projects.

2.2. Basis of valuation for the result of the segments

The accounting policies used in internal reporting on the segment are the same as those described in section A.3 of the consolidated financial statements. With the exception described in section D.2.1 of the consolidated financial statements, no asymmetrical allocations are made in the allocation of assets and liabilities and of expenses and income to reportable segments..

Internal revenues are recorded either on a cost basis or on Ba-sis current market prices, depending on the type of service.

There is no presentation of segment assets, segment liabilities and capital expenditure, as internal reporting is based exclusively on key earnings figures by segment for the purposes of Group management.

2.3. Reconciliations

The item Reconciliation shows issues that are not directly related to the business segments and other companies. These include sales within the segments and income tax expenses.

Income tax expense is not included in the results of the operating segments. Since the tax expense is allocated to the controlling company in the case of a fiscal unity, the allocation of income tax does not necessarily correspond to the structure of the segments.

2.4 Information on geographical areas and products and services

(in T€)	Sales by location of customer			Revenues by location of companies		
	2019	2018 (adjusted*)	2018 (before adjustment)	2019	2018 (adjusted*)	2018 (before adjustment)
Germany	1,221,499	1,083,951	1,137,538	1,294,800	1,146,995	1,200,583
Foreign countries	327,794	233,321	241,366	254,493	170,277	178,321
Total Group	**1,549,293**	**1,317,272**	**1,378,904**	**1,549,293**	**1,317,272**	**1,378,904**

*) See the explanations in section A. 7.3 of the consolidated financial statements.

(in T€)	Non-current assets		
	31.12.2019	2018 (adjusted*)	2018 (before adjustment)
Germany	277,649	266,694	265,601
Foreign countries	182,032	94,495	94,478
Total Group	**459,681**	**361,189**	**360,079**

*) See the explanations in section A. 7.3 of the consolidated financial statements.

For both the reporting period and the comparative period, it was not possible to determine and disclose significant sales revenues and significant assets allocated to a single third country, as CANCOM does not have the relevant information and additional surveys would be associated with excessively high costs.

In the period under review and in the comparable period of the previous year, no single customer generated sales revenues which accounted for 10 percent or more of the CANCOM Group's sales revenues. There is therefore no obligation to disclose dependencies on customers.

Non-current assets include all non-current assets with the exception of deferred tax assets and securities allocated to the balance sheet item "Financial assets and loans".

Information on sales revenues from external customers for each product and service or for each group of comparable products and services is not provided because the information is not available and the cost of collection would be excessive.

3. Leases

3.1. CANCOM as lessee

CANCOM leases a large number of different assets. The leased assets are classified as "land and buildings", "operating and office equipment" and "motor vehicles". The leases have terms of between three years and 44 years. The following table contains information on leases in which CANCOM is the lessee:

(in T€)	Land and buildings		Plant and business equipment		Motor vehicles		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
Rights of use								
Depreciation	9,064	7,802	581	479	672	538	10,317	8,819
Income from subleasing	0	0	0	0	0	0	0	0
Access	32,136	44,242	2,542	999	3,860	1,023	38,538	46,264
Book values as of Dec. 31	59,723	36,455	2,548	520	3,674	485	65,945	37,460
Leasing liabilities								
Interest expenses	421	239	117	42	48	9	586	290
Total cash outflows for leases	9,349	7,807	1,842	1,757	731	534	11,922	10,098
Profits/losses from sale and leaseback transactions	1,617	0	0	0	0	0	1,617	0

During the reporting period, a significant sale and leaseback transaction was carried out in the CANCOM Group. This involved the sale and leaseback of a property in Jettingen-Scheppach in September 2019 through a special purpose leasing company (see also section A. 2.1 of the consolidated financial statements). A gain of EUR 1,617 thousand was recognized on the sale, which is included in the item "Other operating income" in the presentation of the net profit for the period. The leasing payments resulting from the leaseback amount to EUR 339 thousand in the reporting period.

Leases in which CANCOM is the lessee may contain renewal options. These are taken into account when determining the term or the leasing instalments, if their exercise is deemed sufficiently certain. The extension options not included in the lease payments would increase the lease payments in the years 2033 to 2049, and lead to a total cash outflow of EUR 9,598 thousand.

Termination options of the lessee lead to a reduction of the term or to a reduction of the lease instalments if the exercise of these options is considered sufficiently certain. As a matter of principle, CANCOM does not expect to exercise termination options, so that the full basic rental period is taken into account when determining the term or the lease payments.

Please refer to section D. 6.2 of the consolidated financial statements for the presentation of future interest and redemption payments from leasing liabilities.

3.2. CANCOM as lessor

Finance leases

In the reporting period and in the comparative period, CANCOM sold merchandise to a leasing company and leased the merchandise back directly from this leasing company (sale and leaseback transactions), in order to then lease the merchandise to CANCOM customers. The lease terms were between three and five years. For the majority of these transactions, the sale to the leasing company was not classified as a sale in accordance with IFRS 15, i.e. the merchandise was not initially derecognized. Instead, the receipt of payment from the leasing company was recorded as a financial liability in accordance with IFRS 9. The leases with customers were classified as finance leases, with CANCOM applying the rules for manufacturers and dealers in IFRS 16 and therefore recognizing sales revenue at the beginning of the lease in question at the present value of the lease payments to be received. The non-guaranteed residual values were estimated to be relatively low, so that there are hardly any risks in this respect. There are no variable lease payments or other agreements involving risks.

The following table shows the amounts recognized for finance leases in the reporting period and in the comparative period in the presentation of the profit or loss for the period

(in T€)	2019	2018
Capital gains/losses	693	1,006
Financial income on the net investment in the lease	608	887
Income for variable leasing payments not included in the valuation	0	0

In the reporting period, the carrying amounts for the net investment in the lease totaled EUR 23,963 thousand (previous year: EUR 14,257 thousand). The increase in the carrying amounts resulted primarily from increased customer demand in Germany and abroad for the purchase of hardware with financing agreements.

The following table shows the undiscounted future lease payments for finance lease receivables and a reconciliation to the net investment in the lease for the reporting period and the comparative period:

(in T€)	2019	2018
Finance lease payments due within 1 year	10,706	7,103
Finance lease payments due between 1 and 5 years	13,949	7,723
Finance lease payments due in over 5 years	10	0
Total finance lease payments (undiscounted)	**24,665**	**14,826**
Non-guaranteed residual values	0	0
Interest income not yet realized	702	569
Present value of lease payments to be received	**23,963**	**14,257**
Impairment losses on finance lease receivables	0	0
Net investment in the lease	**23,963**	**14,257**

Operating leasese

In the period under review and in the comparable period of the previous year, CANCOM was only active to an insignificant extent as a lessor within operating leases.

With regard to the fixed assets reported in the reporting period and in the comparison period (see section B.8 of the consolidated financial statements), no significant assets were involved in operating leases.

4. Share-based payment

The CANCOM Group has or had the following share-based payments:

- equity-settled share-based payments (issued by CANCOM SE),
- cash-settled share-based payments (issued by Ocean Unified Communications Ltd and CANCOM UK Limited).

4.1. Option rights issued by CANCOM SE

On the basis of the authorization pursuant to Item 9 of the agenda of the Annual General Meeting of June 14, 2018 concerning the granting of subscription rights (stock options) and the creation of Contingent Capital I/2018, the Group introduced a stock option program (with compensation through equity instruments), which entitles the members of the management and selected employees of the Company or affiliated companies to acquire shares in the Company. Under the program ("ESOP 2018"), the holders of exercisable options have the right to acquire shares at the market price of the shares on the grant date. The stock option program entitles the following groups of stakeholders to acquire shares:

- Group 1: Members of the Management Board;
- Group 2: Members of the management of affiliated companies;
- Group 3: Company executives;
- Group 4: Managers of affiliated companies.

The option rights can be exercised under the following contractual conditions at a ratio of 1:1 to subscribe to new no-par value bearer shares of CANCOM SE with each share representing a proportionate amount of the share capital of € 1.00. The option rights may be exercised for the first time after four years of service from the date of grant. Further staggered waiting periods ("vesting periods") determine the vesting after two years of 50 percent, after three years of a further 25 percent and after four years the remaining 25 percent. The option rights can be exercised after the end of the waiting period within a period of ten years after the date of issue.

The prerequisite for exercising the option right is that - considered over the entire term of the stock options - the following market-dependent performance conditions are met:

- the relevant reference price exceeds the exercise price by at least 5 percent p.a. on a straight-line basis ("absolute performance target"), and

- the price of CANCOM SE's shares has developed better between the date of issue and the date of exercising the option right than the unweighted average price of the peer group's shares over the same period ("relative performance target")

On August 17, 2018, 585,000 stock options were issued (Tranche 1). A further 23,000 stock options were issued on July 2, 2019 (Tranche 2). In the comparative period, 30,000 stock options (belonging to Tranche 1, Group 2) and in the reporting period 20,000 stock options (belonging to Tranche 1, Group 4) lapsed due to changed non-fulfilment of service conditions, so that 558,000 stock options are actually still outstanding at the end of the reporting period, none of which are exercisable. Of the 558,000 stock options still outstanding at the end of the reporting period, 535,000 stock options are attributable to Tranche 1 (Group 1: 260,000 stock options, Group 2: 90,000 stock options, Group 3: 45,000 stock options, Group 4: 140,000 stock options) and 23,000 stock options to Tranche 2 (Group 2: 15,000 stock options, Group 4: 8,000 stock options). The stock options still outstanding at the end of the reporting period have a weighted average contractual term of 8.7 years.

The Conditional Capital 2018/I of €1,500 thousand entered in the commercial register on the date of issue or future conditional capital to be resolved, future share capital created for this purpose, or treasury shares of the Company serve to secure and service the option rights insofar as the Company does not grant a cash settlement in fulfilment of the subscription rights.

The fair value of the stock options was determined using a multivariate binomial tree model. In particular, an arbitrage-free and risk-neutral capital market and the possibility of reproducing the safe investment were assumed. The standard deviation of the continuous yield of the share over a certain period of time, converted on an annual basis, is used as a volatility indicator; the expected volatility used is based on historical volatility. The absolute and relative performance targets were taken into account in the multivariate binomial tree model.

Exercise conditions that are not market conditions are not included in the estimate of the fair value of the stock options. Instead, non-market vesting conditions are accounted for by adjusting the number of equity instruments included in the determination of the transaction amount. The amount recognized for the service is therefore ultimately based on the number of equity instruments that ultimately vest.

For Tranche 1, the fair value per share option at grant date was € 10.40 (Group 1), € 9.78 (Group 2), € 9.33 (Group 3) and € 9.39 (Group 4), respectively. In addition, the fair values for the share-based payments at grant date for all groups were determined using a share price at grant date of € 39.60, an exercise price of € 40.72, an expected volatility of 28.98 per cent, expected dividends of 1.11 per cent and a risk-free interest rate (based on government bonds) of 0.02 per cent. The expected volatility is based on an assessment of the historical volatility of the share price of the company and the peer group. The weighted average fair value of the stock options issued under Tranche 1 was € 9.91 on the grant date.

For Tranche 2, the fair value per share option at grant date was € 13.80 (Group 2) and € 13.17 (Group 4). In addition, the fair values for the share-based payments at grant date for both groups were determined using a share price at grant date of € 47.50, an exercise price of € 46.68, an expected volatility of 33.13 percent, expected dividends of 1.11 percent and a risk-free interest rate (based on government bonds) of -0.53 percent. The expected volatility is based on an assessment of the historical volatility of the share price of the company and the peer group. The weighted average fair value of the stock options issued under Tranche 2 was € 13.58 at grant date.

Expenses for equity-settled share-based payments amounted to EUR 1,956 thousand in the reporting period (prior year: EUR 473 thousand). In the consolidated financial statements for the comparative period 2018, the periodic personnel expenses were determined by distributing the total expenses for equity-settled share-based payments on a straight-line basis over the vesting period. At the end of the 2019 reporting period, however, a non-linear distribution (so-called "graded vesting", see section A. 3.31 of the consolidated financial statements) was assumed to determine the personnel expenses to be recorded up to this point in time. If this non-linear distribution had already been used at the end of the comparative period, personnel expenses for the comparative period would have been EUR 177 thousand higher (EUR 650 thousand instead of EUR 473 thousand). The increase was recorded under personnel expenses in the reporting period.

4.2. Option rights issued by Ocean Unified Communications Ltd (GB) and CANCOM UK Limited (GB)

In connection with the acquisition of the Ocean Group and the CANCOM UK Group (formerly OCSL Group), share options were granted to employees of the acquired groups in the comparative period, which were classified as cash-settled share-based payments for future services. In the reporting period, all share options of the CANCOM UK Group were redeemed and shares in CANCOM LTD were granted in return. This redemption or granting resulted in additional personnel expenses of EUR 257 thousand. The shares granted in return were recognized as synthetic liabilities (see section D. 5 of the consolidated financial statements).

Total expenses for cash-settled share-based payments amounted to EUR 484 thousand iin the reporting period (prior year: EUR 254 thousand). The liabilities recognized for cash-settled share-based payments amounted to EUR 165 thousand at the end of the reporting period (prior year: EUR 254 thousand).

The main parameters for the Ocean Group's continuing share options are shown in the following table:

Acquired group of companies	Shares in the	Options granted (in units)	Price per option at grant date (in £)	Waiting period from grant date	Exercise period	Average remaining contract period as of Dec. 31, 2019
Ocean Gruppe	CANCOM Ocean Ltd	297	17.40	22 months	5 years	63 months

The option rights of the Ocean Group can be exercised for the first time two years after the date of acquisition (March 12, 2018). The prerequisite for exercising the options is that the employee is still a member of the company at the earliest possible exercise date. The calculation of the fair value is based on a probability-weighted model.

5. Further information on financial instruments

The following table shows the carrying amounts of financial assets and financial liabilities by measurement category in accordance with IFRS 9 and the fair values for the reporting period:

(in T€)	Carrying amount Dec. 31, 2019	FA_AC[1]	FA_FVOCI[2]	FA_FVPL/ FL_FVPL[3]	FL_AC[4]	No category	Fair value Dec. 31, 2019
		Amortized cost	Fair value	Fair value	Amortized cost	Accounting in accordance with IFRS 16	
Current assets							
Cash and cash equivalents	364,853	364,853					364,853
Accounts receivable trade	274,490	274,490					274,490
Other current financial assets	21,305	10,868		163		10,274	21,305
- Receivables from finance leases						10,274	10,274
- Forward exchange transactions				163			163
- Other items		10,868					10,868
Non-current assets							
Financial assets and loans	4,005		4,005				4,005
Other non-current financial assets	19,468	5,779				13,689	19,468
- Receivables from finance leases						13,689	14,015
- Forward exchange transactions							
- Other items		5,779					5,201
Current liabilities							
Current liabilities to banks	7,182				7,182		7,182
Accounts payable for goods and services	319,441				319,441		319,441
Other current financial liabilities	59,158			21,772	25,895	11,491	59,158
- Leasing liabilities						11,491	11,491
- Contingent consideration pursuant to IFRS 3				21,772	414		22,186
- Other items					25,481		25,481
Non-current liabilities							
Long-term liabilities to banks	218				218		207
Other non-current financial liabilities	126,185			0	64,356	61,829	/
- Leasing liabilities						61,829	/
- Forward exchange transactions							
- Contingent consideration pursuant to IFRS 3							
- Synthetic liabilities according to IAS 32.23					53,910		53,910
- Other items					10,446		10,209
Assets, total	**684,121**	**655,990**	**4,005**	**163**	**/**	**23,963**	**684,121**
Liabilities, total	**512,184**	**/**	**/**	**21,772**	**417,092**	**73,320**	**/**

1) Measurement category "financial assets measured at amortized cost
2) Measurement category "financial assets at fair value through profit or loss in other comprehensive income
3) Measurement category "financial assets at fair value through profit or loss" or "financial liabilities at fair value through profit or loss
4) Measurement category "financial liabilities measured at amortized cost

The following table shows the carrying amounts of financial assets and financial liabilities by measurement category in accordance with IFRS 9 and the fair values for the comparative period (adjusted):

(in T€)	**Carrying amount Dec. 31, 2018 (adjusted*)**	**FA_AC[1]**	**FA_FVOCI[2]**	**FA_FVPL/ FL_FVPL[3]**	**FL_AC[4]**	**No category**	**Fair value Dec. 31, 2018 (adjusted*)**
		Amortized cost	Fair value	Fair value	Amortized cost	Accounting in accordance with IFRS 16	
Current assets							
Cash and cash equivalents	135,247	135,247					135,247
accounts receivable trade	276,164	276,164					276,164
Other current financial assets	14,974	8,213		40		6,721	14,974
- Receivables from finance leases						6,721	6,721
- Forward exchange transactions				40			40
- other items		8,213					8,213
Non-current assets							
Financial assets and loans	5,206	1,206	4,000				5,206
Other non-current financial assets	7,745	210				7,535	8,123
- Receivables from finance leases						7,535	7,913
- Forward exchange transactions							
- other items		210					210
Current liabilities							
Current liabilities to banks	2,657				2,657		2,657
accounts payable for goods and services	271,478				271,478		271,478
Other current financial liabilities	21,018			4,374	7,094	9,550	21,018
- Leasing liabilities						9,550	9,550
- Contingent consideration pursuant to IFRS 3				4,374			4,374
- synthetic liabilities according to IAS 32.23					883		883
- other items					6,211		6,211
Non-current liabilities							
Long-term liabilities to banks	3,389				3,389		3,541
Other non-current financial liabilities	52,831				20,360	32,471	/
- Leasing liabilities						32,471	/
- Forward exchange transactions							
- Contingent consideration pursuant to IFRS 3							
- synthetic liabilities according to IAS 32.23					20,360		20,360
- other items							
Assets, total	**439,336**	**421,040**	**4,000**	**40**	**/**	**14,256**	**439,714**
Liabilities, total	**351,373**	**/**	**/**	**4,374**	**304,978**	**42,021**	**/**

*) See the explanations in section A. 7.3 of the consolidated financial statements.
1) Measurement category "financial assets measured at amortized cost
2) Measurement category "financial assets at fair value through profit or loss in other comprehensive income
3) Measurement category "financial assets at fair value through profit or loss" or "financial liabilities at fair value through profit or loss
4) Measurement category "financial liabilities measured at amortized cost

The following table shows the carrying amounts of financial assets and financial liabilities by measurement category in accordance with IFRS 9 and the fair values for the comparative period (before restatement):

(in T€)	Carrying amount Dec. 31, 2018 (before adjustment)	FA_AC[1] Amortized cost	FA_FVOCI[2] Fair value	FA_FVPL/ FL_FVPL[3] Fair value	FL_AC[4] Amortized cost	No category Accounting in accordance with IFRS 16	Fair value Dec. 31, 2018 (before adjustment
Current assets							
Cash and cash equivalents	135,247	135,247					135,247
Accounts receivable trade	274,410	274,410					274,410
Other current financial assets	16,295	9,534		40		6,721	16,295
- Receivables from finance leases						6,721	6,721
- Forward exchange transactions				40			40
- Other items		9,534					9,534
Non-current assets							
Financial assets and loans	5,206	1,206	4,000				5,206
Other non-current financial assets	7,745	210				7,535	8,123
- Receivables from finance leases						7,535	7,913
- Other items		210					210
Current liabilities							
Current liabilities to banks	2,657				2,657		2,657
Accounts payable for goods and services	271,478				271,478		271,478
Other current financial liabilities	21,018			4,374	7,094	9,550	21,018
- Leasing liabilities						9,550	9,550
- Contingent consideration pursuant to IFRS 3				4,374			4,374
- Synthetic liabilities according to IAS 32.23					883		883
- Other items					6,211		6,211
Non-current liabilities							
Long-term liabilities to banks	3,388				3,388		3,540
Other non-current financial liabilities	52,831				20,360	32,471	/
- Leasing liabilities						32,471	/
- synthetic liabilities according to IAS 32.23					20,360		20,360
Assets, total	**438,903**	**420,607**	**4,000**	**40**	**/**	**14,256**	**439,281**
Liabilities, total	**351,372**	**/**	**/**	**4,374**	**304,977**	**42,021**	**/**

1) Measurement category "financial assets measured at amortized cost
2) Measurement category "financial assets at fair value through profit or loss in other comprehensive income
3) Measurement category "financial assets at fair value through profit or loss" or "financial liabilities at fair value through profit or loss
4) Measurement category "financial liabilities measured at amortized cost

The fair values of cash and cash equivalents (cash and cash equivalents) and other current financial instruments, i.e. trade receivables, other current financial assets, current liabilities to banks, trade payables and other current financial liabilities, correspond to the carrying amounts recognized on the respective balance sheet dates.

Financial assets and financial liabilities are measured at fair value according to the availability of relevant information on the basis of the three levels of the measurement hierarchy listed in IFRS 13. For the first level, quoted market prices for identical assets and liabilities in active markets are directly observable. At the second level, measurement is based on measurement models that incorporate observable market parameters (e.g. interest rates, exchange rates). The third level provides for the use of valuation models that do not use input factors observable on the market.

For the securities included in the balance sheet item "Financial assets and loans", the fair value corresponds to the price quotation on the balance sheet date multiplied by the number of units in the portfolio (level 1).

The fair value of forward exchange contracts is determined using a discounted cash flow method. Future payments are estimated on the basis of forward exchange rates (observable rates at the balance sheet date) and the contracted forward exchange rates, discounted at a rate that reflects the credit risk of the various counterparties (level 2).

The fair values of non-current receivables from finance leases and other items within other non-current financial assets and non-current liabilities to banks are determined as the present values of the payments expected to be made with the assets and liabilities and on the basis of market interest rates for comparable financial instruments (level 2).

With reference to IFRS 7.29 (d), the fair values of leasing liabilities are not disclosed.

The fair values determined for contingent consideration from company acquisitions are based on different valuation models. Since the respective measurement model includes both input factors observable on the market (e.g. risk-adjusted discount rates) and company-specific (and thus not market observable) input factors, these are allocated to level 3. In detail, this involves the following issues:

- two conditional purchase price liabilities from the acquisition of the shares in medocino Gesellschaft für vernetzte Systeme mbH, this relates to the reporting period;

- three conditional purchase price liabilities from the acquisition of the shares in Novosco Group Limited (Novosco Group), this relates to the reporting period;

- a contingent purchase price liability from the acquisition of the shares in Ocean Intelligent Communications Ltd (Ocean Group); this relates to the comparative period;

- a conditional purchase price liability from the acquisition of the shares in CANCOM Synaix GmbH; this relates to the comparative period.

The contingent consideration from the acquisition of the shares in medocino Gesellschaft für vernetzte Systeme mbH consists of an employee termination component and a software component. If a certain number of key employees have not given notice of termination of their service or employment contract themselves by the end of December 31, 2020, a one-off lump-sum payment of EUR 200 thousand is due (employee termination component). This results in either EUR 0 thousand or EUR 200 thousand in contingent consideration. At the acquisition date, the contingent consideration was measured at EUR 200 thousand based on the most probable amount payable. If the actual software service revenue of certain software developers exceeds a certain amount by the end of December 31, 2020, a one-time lump sum payment of EUR 400 thousand is due (software component). Accordingly, the consideration to be paid is either EUR 0 thousand or EUR 400 thousand. At the acquisition date, the contingent consideration was measured at EUR 400 thousand on the basis of the most probable amount to be paid. The amounts determined for the contingent consideration were not discounted as of the reporting date of the period under review, as the payments were due at that time.

The expected payments on the contingent consideration from the acquisition of the shares in the Novosco Group relate to three contingent considerations: a customer contract component of £15,861 thousand (EUR 18,028 thousand) (whether a customer contract is continued or a specific contract milestone is reached by 18 months at the latest) and a customer contract component of £15,861 thousand (EUR 18,028 thousand) (whether a customer contract is terminated or not). May 2020 at the latest), a grant component of up to £ 792 thousand (EUR 900 thousand) (whether and to what extent grants will be received which are to be paid out to the vendors) and an income tax component of up to £ 1,360 thousand (EUR 1,546 thousand) (whether tax relief will result from the exercise of share options which are to be paid out to the vendors). For the customer contract component there is either a consideration to be paid of £ 0 thousand (EUR 0 thousand) or £ 15,861 thousand (EUR 18,028 thousand). The customer contract component was valued at £ 15,861 thousand (EUR 18,028 thousand) at the date of acquisition. The condition of the customer contract component had already been met at the reporting date of the reporting period; the payment was due at that date. The grant component is contingent upon the creation of jobs in the Northern Ireland region and the achievement of a profit target for the Novosco Group for the 2019 financial year. The grant component is subject to a range of consideration to be paid from £ 0 thousand (EUR 0 thousand) to a maximum of EUR 792 thousand (EUR 900 thousand). The grant component was valued at EUR 792 thousand (EUR 900 thousand) at the time of acquisition. The earnings target for the 2019 financial year had already been achieved as of the reporting date for the period under review; payment is expected to be made in 2021. For the income tax component, the consideration to be paid ranges from £ 0 thousand (EUR 0 thousand) to a maximum of £ 1,360 thousand (EUR 1,546 thousand). The income tax component was valued at the time of acquisition at £ 1,360 thousand (EUR 1,546 thousand). The condition of the income tax component will be fulfilled with the tax assessment for the year 2019/20.

The expected payment of the conditional purchase price from the acquisition of the shares in the Ocean Group was determined on the basis of the forecast revenue from a specific transaction and would have been due in September 2019. The contingent purchase price liability was therefore not discounted as of the balance sheet date of the comparative period. The contingent purchase price liability was fully derecognized at the reporting date of the reporting period (see section A. 2.2 of the consolidated financial statements).

The expected payment from the acquisition of the shares in CANCOM Synaix GmbH was calculated in 2017, taking into account the forecast revenue and EBITDA. An average growth in sales revenues of 12.1 percent and an average EBITDA margin of 57.6 percent were assumed. Discounting was no longer carried out on the reporting date of the comparative period, as the last installment was already due in the reporting period. The amount of the last installment had already been determined based on a supplementary agreement with the sellers. The contingent purchase price liability was fully derecognized as of the reporting date of the reporting period (see section A. 2.2 of the consolidated financial statements).

The put/call agreements recognized as synthetic liabilities in accordance with IAS 32.23 in the context of company acquisitions are measured at amortized cost. However, the respective balance sheet value is almost identical to the fair value, as a revaluation is carried out on each balance sheet date taking into account the current estimated values. Differences to the fair value therefore only arise because the original (credit risk-adjusted) interest rate for borrowed capital is used to determine the balance sheet value, whereas this interest rate would have to be determined on a current basis to determine the fair value. Due to the company-specific input factors included in the valuation model, these would - if they were measured at fair value - be allocated to Level 3. In detail, this involves the following issues:

- a put/call agreement in connection with the acquisition of the shares in Novosco Group Limited and the Novosco Group, respectively; this relates to the reporting period;
- a put/call agreement in connection with the acquisition of the shares in CANCOM UK TOG Limited (formerly The Organised Group Ltd) and the CANCOM UK Group (formerly OCSL Group);
- a put/call agreement in connection with the acquisition of the shares in Ocean Intelligent Communications Ltd and the Ocean Group.

The expected payments for the synthetic liabilities from the acquisition of the shares in the Novosco Group and from the acquisition of the shares in the CANCOM UK Group were calculated on the basis of the forecast EBIT values of the CANCOM LTD Group for the period 2020 to 2026. An average EBIT margin of 11 percent is assumed. The discount rate was 1.65 percent.

The expected payment for the synthetic liability arising from the put/call agreement in connection with the acquisition of the Ocean Group was calculated on the basis of the predicted EBITDA figures for the period 2020 (comparative period: 2019) to 2024. An average EBITDA margin of 15 percent (comparative period: 26 percent) is assumed. The discount rate was 1.21 percent (comparative period: 1.94 percent).

The estimated fair values for the synthetic liabilities would increase (decrease) if:

- the sellers would sell (put) their shares later (earlier) than expected,
- the EBIT margin or EBITDA margin would be higher (lower) or
- the risk-adjusted discount rate would be lower (higher)

The following table shows the development of contingent consideration allocated to level 3 of the fair value measurement hierarchy and synthetic liabilities for the reporting period:

(in T€)	Contingent consideration	Synthetic liabilities
As of January 1, 2019	4,933	20,684
Change from revaluation	-169	1,605
Access	21,771	34,203
Disposals/Compensations	-4,374	-4,903
Exchange rate differences	24	2,320
As of December 31, 2019	**22,185**	**53,909**

In the period under review, unrealized income from revaluation amounting to EUR 4,613 thousand (comparative period: EUR 496 thousand) was recognized in the presentation of the result for the period under "other financial result income". In addition, unrealized revaluation losses of EUR 6,049 thousand (prior year: EUR 0 thousand)) were recognized in the period under review under "other financial result expenses".

The net results by measurement category for the reporting period and the comparative period are as follows::

(in T€)	2019	2018
Financial assets measured at amortized cost (FA_AC)	-1,082	515
Financial assets at fair value through profit or loss in other comprehensive income (FA_FVOCI)	30	-150
Financial assets/liabilities at fair value through profit or loss (FA_FVPL/FL_FVPL)	-933	322
Financial liabilities measured at amortized cost (FL_AC)	-1,441	-872
Total	**-3,426**	**-185**

The net results by valuation category include interest expenses, interest income, value adjustments and reversals of impairment losses as well as valuation results from financial instruments at fair value through profit or loss.

The application of the effective interest method for the measurement of financial liabilities measured at amortized cost resulted in interest expense of EUR 814 thousand (comparative period: EUR 872 thousand), which is recognized in the presentation of net profit or loss for the period under "Interest and similar expenses".

6. Risk Management

6.1. General information on risk management

The aim of CANCOM's risk policy is to identify at an early stage and deal responsibly with risks that could threaten the existence of the Company or material corporate risks. To define and ensure adequate risk control, the Executive Board has formulated risk principles and has appointed a central risk officer who regularly monitors, measures and, if necessary, manages any risks.

As part of a risk analysis, risks at CANCOM are regularly classified and evaluated according to the criteria of probability of occurrence and extent of damage, and thus fed into a risk matrix. All risks are assigned to a responsible person in this context. If risks are quantifiable, appropriately defined key figures are used to evaluate them. If no precisely definable measured variables are available for risks, they are assessed by those responsible.

Early warning indicators are defined within the framework of the early risk detection system for risks threatening the existence of the company, and changes or developments in these indicators are continuously monitored and discussed in risk management meetings. The risk management meetings held regularly between the Board of Management and the risk officer ensure permanent and timely control of existing and future risks.

6.2. Liquidity risks

Liquidity risk is defined as the risk that the company cannot meet its payment obligations at a contractually agreed time.

CANCOM's good equity base and its fundamentally long-term financing structure mean that it is only exposed to liquidity risk to a limited extent.

CANCOM has been using a liquidity management system for years, with daily monitoring of liquidity development and assessment of liquidity risks, as well as short-term to long-term liquidity planning.

CANCOM has sufficient net liquidity through profit retention and capital increases. Short-term liquidity is also guaranteed at all times by credit lines and factoring agreements. Long-term liquidity is secured by long-term bank financing and an appropriate equity base. Borrowed funds have been significantly reduced and are mostly short-term on the balance sheet date.

Liquidity risk is minimized by refinancing financial liabilities at an early stage. The following tables show which contractually agreed (undiscounted) interest and principal payments are due from the end of the reporting period or the end of the comparative period:

(in T€)	2020	2021	2022 to 2024	2025 and beyond
Accounts payable for goods and services	319,441			
Financial liabilities to financial service providers	14,563			
Amounts owed to credit institutions	7,297	0	218	
Leasing liabilities	11,491	9,405	23,797	28,627
Financial liabilities to leasing companies	4,923	4,462	5,072	912
Receivables from forward exchange transactions	-163			
Liabilities from contingent consideration	22,158			
Liabilities from put/call agreements	275	331	11,628	40,599
Interest payments to be made	939	738	1,337	1,359
Total	**380,951**	**14,936**	**42,052**	**71,497**

(in T€)	2019	2020	2021 to 2023	2024 and after
Accounts payable for goods and services	271,878			
Amounts owed to credit institutions	2,968	3,503		
Leasing liabilities	9,799	6,725	14,578	12,135
Receivables from forward exchange transactions	-40			
Liabilities from contingent consideration	4,933			
Liabilities from put/call agreements	324	101	983	21,925
Interest payments to be made	167	77		
Total	**290,029**	**10,406**	**15,561**	**34,060**

The CANCOM Group can draw on credit lines with banks. On the balance sheet date of the reporting period, there were credit and guarantee lines of EUR 39,500 thousand (comparable period: EUR 40,470 thousand). The total amount not yet utilized on the balance sheet date of the reporting period was EUR 31,978 thousand (comparable period: EUR 33,778 thousand). During the reporting period and the comparison period, the CANCOM Group was not in arrears with interest and principal payments.

6.3. Currency risks

Currency risks exist in particular when receivables, liabilities, cash and cash equivalents and planned transactions exist or will arise in a currency other than the functional currency of the company. Since CANCOM conducts most of its business in the euro zone, and the companies conduct most of their transactions in their functional currency, currency risks in relation to financial instruments occur only to a limited extent. Accordingly, there were no significant concentrations of currency risks in the reporting period or in the comparable period.

CANCOM does not engage in currency speculation and has an ongoing currency management system. Currency risks from orders – if any – are hedged. The operating units are prohibited from borrowing or investing funds in foreign currencies for speculative reasons. Group-internal financing or investments are preferably made in the respective functional currency or on a currency-hedged basis. The conclusion of currency hedging transactions is permitted to dedicated persons in amounts subject to approval. Approval for overruns is granted by the Executive Board.

IFRS 7 requires a sensitivity analysis to classify the significance of currency risks. By applying sensitivity analyses, it is determined for this type of risk what effect a change in the exchange rates mentioned on the balance sheet date would have on the CANCOM Group's net profit for the period and on its equity. The effects are determined by relating the hypothetical changes in exchange rates by five percent to the portfolio of relevant financial instruments in foreign currency on the balance sheet date. It is assumed that the portfolio on the reporting date is representative of the reporting period. The US dollar sensitivity analyses with regard to the result for the period include forward exchange transactions and trade receivables and payables. The £ sensitivity analyses with regard to the result for the period include financial liabilities that arose in connection with company acquisitions in the United Kingdom as well as trade receivables and payables. The sensitivity analyses of other comprehensive income (or equity) to the pound sterling and US dollar exchange rates include CANCOM SE's receivables, which represent net investments in foreign operations.

If the euro had been 10 per cent stronger (weaker) against the US dollar at the end of the reporting period, the profit for the period would have been EUR 3,994 thousand lower (EUR 3,630 thousand higher) and equity EUR 1,553 thousand higher (EUR 1,412 thousand lower). If the euro had been 10 per cent stronger (weaker) against the pound sterling at the end of the reporting period, the profit for the period would have been EUR 4,344 thousand lower (EUR 3,947 thousand higher) and equity EUR 8,396 thousand higher (EUR 7,633 thousand lower).

6.4. Interest rate risks

Because financing is generally long-term, CANCOM is only affected by interest rate risks to a limited extent. In the past, fluctuations in interest rates have only had a minor effect on the result for the period, as existing loan agreements were mainly concluded at fixed interest rates. In addition, CANCOM's good equity base enables it to take out loans at favorable interest rates.

The CANCOM Group has a risk management system for optimizing interest rate risks, consisting of continuous monitoring of the market interest rate level and its own interest rate conditions; in addition, there is constant contact with the banks. Credit framework agreements provide for the possibility of adjusting interest rates. The conclusion of interest rate hedging transactions is only envisaged in the event of strong interest rate fluctuations.

6.5. Default risks

Credit or default risk is the risk that business partners fail to meet their contractual payment obligations, and that this leads to a loss for the CANCOM Group. In general, to minimize credit risks, the CANCOM Group only concludes transactions in compliance with specified risk limits. Before accepting a new customer, the Group uses internal and external creditworthiness checks to assess the creditworthiness of potential customers and set their credit limits. The customer assessment and credit limits are reviewed at least annually.

Default risks generally exist for financial assets. IFRS 9 contains impairment provisions for certain financial assets to account for default risks in the balance sheet. The following table shows to which financial assets in the CANCOM Group the impairment provisions in IFRS 9 were applied in the reporting period and in the comparative period. The table also contains the key information on the respective impairment tests. The table shows that there were only default risks to be recognized in connection with financial assets in the CANCOM Group in relation to trade receivables.

	Carrying amount Dec. 31, 2019 (in T€)	Net impairment loss 2019 (in € thousand)	Carrying amount Dec. 31, 2018 (in T€)	Net impairment loss 2018 (in T€)
Cash and cash equivalents	364,853	/	135,247	/
Trade receivables, contract assets	276,055	-199	277,484	-146
Receivables from finance leases[1]	23,963	/	14,257	/
Receivables from suppliers[1]	10,039	/	7,003	/
Medium-term notes [2]	4,000	0	4,000	0
Loans to former subsidiaries [2]	0	/	1,206	/

1) Reported in the balance sheet under "other current financial assets" and "other non-current financial assets".

2) Reported in the balance sheet under "Financial assets and loans".

3) L_ECL = expected credit losses over the entire term; 12M_ECL = part of L_ECL resulting from default events that may occur within the next 12 months after the balance sheet date

CANCOM generally regards financial assets as defaulted if they are more than 90 days overdue or if repayment is judged to be unlikely. A reduction in value due to creditworthiness exists in particular if CANCOM has indications that the debtor is in financial difficulty or even bankruptcy. A direct reduction in the gross carrying amount of a financial asset due to collectability is made if CANCOM cannot reasonably assume that the item is fully or partially realizable or recoverable.

For cash and cash equivalents, no expected credit losses are recorded due to reasons of immateriality. The risk of default with regard to credit from the investment of cash and cash equivalents at banks is virtually eliminated by spreading the risk (large number of banks) and selecting banks with a good credit rating (investment grade rating). The risk has not changed since the date of acquisition as of the balance sheet date; there are no indications of a deterioration in the rating of borrowers as of the balance sheet date. The risk at the time of acquisition was assessed as insignificant.

With regard to trade receivables and contract assets, CANCOM uses an impairment matrix to determine the expected credit losses. Depending on the age structure of the receivables, uniform value adjustments are made to the items throughout the Group. In addition, any change in creditworthiness between the date on which payment is granted and the balance sheet date is taken into account. There is no significant concentration of credit risk, as the customer base is broad and there are only minor correlations. The loss ratios are based on historical values, adjusted for prospective expectations.

In the comparative period, a value adjustment matrix was used, in which the value adjustments were determined on the basis of five loss rates (not yet overdue to more than 730 days overdue). In addition, if there were indications of insolvency (i.e. if there was a transition from level 2 to level 3, especially if insolvency became known or if there were indications of imminent insolvency), trade receivables or contract assets with low payment expectations were written down by 50 percent and those without payment expectations by 100 percent. In the comparable period of the previous year, expenses of EUR 146 thousand were recognized for impairments of trade receivables and contract assets.

At the end of the reporting period, the methodology for determining expected credit losses was changed. The calculation is now based on four loss rates (not yet past due to more than 365 days past due). In principle, CANCOM is deemed to have defaulted on a receivable on the relevant reporting date if it is overdue by more than 365 days at that time. With regard to the gross receivables overdue by more than 365 days, it is assumed for the purposes of determining the loss rates that 30 percent of these receivables are actually not paid or are in default; a bankruptcy rate of 20 percent is also assumed. The estimates are based on historical experience within the CANCOM Group. In the period under review, expenses for value adjustments on trade receivables and contract assets were recognized in the amount of EUR 199 thousand.

Nature of the investigation	Value adjustment model, allocation to levels	Expected credit losses taken into account[3]	Examination for default risk increase	Default definition (transition from level 2 to level 3)	Consideration of collateral
None (waiver for immateriality)	/	/	/	/	/
Group and individual examination	Simplification model; level 2,3	L_ECL (value adjustment matrix)	not applicable	Indications of insolvency (e.g. insolvency)	No
None (waiver for immateriality)	/	/	/	/	/
	/	/	/	/	/
Individual examination	Standard model; Level 1	12M_ECL	No (securities with investment grade rating)	/	No
None (waiver for immateriality)	/	/	/	/	/

The value adjustment matrix for the reporting and comparison period is as follows:

Value adjustment matrix as of December 31, 2019	Loss rate (weighted average) in %	Gross carrying amount in T€	Value adjustment in T€
Not yet overdue on the balance sheet date	0.02	198,035	-40
1 to 120 days overdue as of the balance sheet date	0.10	72,035	-72
121 to 365 days overdue on the balance sheet date	0.48	6,170	-30
More than 365 days overdue as of the balance sheet date	24.00	240	-58
Total		**276,480**	**-199**

Value adjustment matrix as of December 31, 2018	Loss rate (weighted average) in %	Gross carrying amount in T€	Value adjustment in T€
Not yet overdue on the balance sheet date	0.02	228,019	-46
1 to 120 days overdue as of the balance sheet date	0.10	46,288	-46
121 to 365 days overdue on the balance sheet date	0.48	2,758	-13
More than 365 days overdue as of the balance sheet date	24.00	542	-130
Total		**277,607**	**-235**

In the impairment matrix for the comparative period presented above, it was assumed that the methodology for determining expected credit losses would have been changed at that time. Since the amount of the value adjustment would have been only insignificantly higher for the CANCOM Group compared with the expenses actually recognized for value adjustments, no adjustment was made.

In the case of receivables from finance leases and receivables from suppliers, no expected credit losses are recognized for reasons of immateriality. The assessment is based on historical default risks and the credit ratings of business partners.

Medium-term notes are fixed-interest securities with an investment-grade rating. The fair value hardly changed in the reporting period and in the comparative period. Due to the investment grade rating, it is not the expected credit loss over the entire term that is to be taken into account, but only that part of it which results from default events that are possible within the next 12 months after the reporting date. The loss rate to be taken into account was therefore estimated at almost 0.00 percent.

In the case of loans to former subsidiaries, no expected credit losses are recognized for reasons of immateriality. The assessment is based on historical default risks and on the credit ratings of the former subsidiaries.

The theoretical maximum default risk of the above items is equivalent to the carrying amounts shown. As a rule, the Group does not have collateral that would reduce this default risk.

6.6. Financial market risks

As part of CANCOM's risk management, possible financial market risks are continuously analyzed. Trading in financial instruments and structured products is not a core business of the Company, and is used – if at all – only to hedge valuable underlying transactions that are exposed to currency risks. Foreign currencies were hedged in the amount of $ 23,688 thousand (comparative period: $ 19,448 thousand), CHF 552 thousand (comparative period: CHF 1,104 thousand) and NOK 534 thousand (comparative period: NOK 0 thousand) as of the balance sheet date of the reporting period. The financial market risk is limited to the exchange rate risk of the forward exchange contracts concluded by the Company as of the balance sheet date of the reporting period, which have a positive fair value of EUR 163 thousand (comparative period: EUR 40 thousand).

Authorizations for the purchase and sale of structured products at banks are restricted to the Management Board (Chief Executive Officer and Chief Financial Officer). This is to avoid transactions in this area by inexperienced persons.

7. Contingent liabilities and other financial commitments

The CANCOM Group companies had the following financial obligations under rental, telecommunications and license agreements:

Due in year	**2020 (in T€)**	**2021 (in T€)**	**2022 (in T€)**	**2023 (in T€)**	**2024 (in T€)**	**after 2024 (in T€)**	**Total (in T€)**
Under tenancy agreements	2,342	1,811	1,225	873	843	2,275	9,369
Under telecommunication agreements	1,964	1,495	1,217	84	60	5	4,825
Under license agreements	4,962	3,914	1,372	631	25	0	10,904
Total	**9,268**	**7,220**	**3,814**	**1,588**	**928**	**2,280**	**25,098**

In the comparative period, there have been contingent liabilities from two legal disputes in the amount of EUR 140 thousand. Defending the claims was considered more likely than losing. This assessment has since been confirmed; the contingent liabilities no longer exist at the end of the reporting period.

8. Relationships with related companies and persons

CANCOM SE prepares these consolidated financial statements as the parent company. These consolidated financial statements are not included in a superordinate consolidated financial statement.

Related parties as defined by IAS 24 are persons and companies that control the CANCOM Group or exert a significant influence on it, or are significantly influenced by the Group. The first group includes the active members of the Executive Board and Supervisory Board of CANCOM SE and their close family members. The second group includes the subsidiaries of the CANCOM Group as related parties (see the list of shareholdings). The following business was transacted with related parties in accordance with IAS 24 in the period from January 1 to December 31, 2019:

Rudolf Hotter received a total of EUR 3 thousand (gross), of which EUR 0 thousand was outstanding at the balance sheet date. Thomas Volk received a total of EUR 3 thousand (gross), of which EUR 0 thousand was outstanding at the balance sheet date.

All transactions with these related parties were concluded at arm's length and were settled between 10 and 30 days net. None of the balances are secured. In the current year and in the previous year, no expenses were recorded for irrecoverable or doubtful receivables with regard to the amounts owed by related parties. No guarantees were granted or received.

Transactions with major subsidiaries of CANCOM SE have already been eliminated in the course of consolidation and therefore need not be explained further. We refer to our comments in section A.2.1of the consolidated financial statements on the scope of consolidation and to the list of shareholdings in the consolidated financial statements.

The members of the Management Board received total remuneration of EUR 3,378 thousand in the period under review (comparative period: EUR 3,783 thousand). The remuneration is in the form of short-term benefits. No payments after termination of employment or on the occasion of termination of employment or other payments due in the long term were granted in the period under review or the comparison period.

A total expense of EUR 913 thousand (comparative period: EUR 248 thousand) was recognized for share-based payments to the Management Board in the reporting period. In the consolidated financial statements for the comparative period 2018, personnel expenses were distributed on a straight-line basis over the vesting period. At the end of the 2019 reporting period, a non-linear distribution was assumed to determine the personnel expenses. If this non-linear distribution had already been applied at the end of the comparative period, personnel expenses for Thomas Volk would have been EUR 53 thousand higher (EUR 244 thousand instead of EUR 191 thousand) for share-based payments and for Thomas Stark EUR 16 thousand higher (EUR 73 thousand instead of EUR 57 thousand) for share-based payments. The increases were taken into account in the amounts recorded in the reporting period.

The remuneration of the members of the Supervisory Board comprised basic remuneration and additional remuneration for committee activities and totaled EUR 343 thousand (comparative period: EUR 337 thousand) in the reporting period, including attendance fees.

Individualized information on the remuneration of the Board of Management and the Supervisory Board is presented in the remuneration report, which is part of the combined management report.

As in the previous year, there were no other significant business transactions between the Company and members of the Management and Supervisory Boards.

9. Shareholdings and stock options of the executive bodies (at the balance sheet date)

The following table shows the number of shares or share options held by the Executive Board of CANCOM SE on the reporting date of the reporting period (December 31, 2019):

Name of the Management Board	Number of shares in units	Number of shares in %	Number of stock options in units
Thomas Volk	5,000	0.0130	108,000 (exercisable) 200.000 (not exercisable)
Thomas Stark	0	0.0000	60,000 (not exercisable)

10. Declaration on the Corporate Governance Code

In accordance with Section 161 (1) of the German Stock Corporation Act (AktG), the Management Board and Supervisory Board issued a joint declaration of compliance with the recommendations of the German Corporate Governance Code, which was published. This declaration is permanently available to the public on the company's website.

11. Auditor's fees

The following fees (total remuneration including expenses without input tax) have been calculated for the auditors within the meaning of § 318 HGB for the reporting period and the comparative period:

(in T€)	2019	2018
Auditing services	-315	-182
Other audit-related services	0	0
Tax consultancy	0	0
Other services	-4	-4

The fees shown in the above table correspond to the expenses recorded in the reporting period and in the comparative period in the presentation of the result for the period. In the period under review, the fees of KPMG AG Wirtschaftsprüfungsgesellschaft, Augsburg (i.e. excluding fees from international networks) totaled EUR 303 thousand – of which EUR 299 thousand related to the audit of the financial statements and EUR 4 thousand to other services – and fees of S&P GmbH Wirtschaftsprüfungsgesellschaft, Augsburg (i.e. excluding fees from international networks) totaled EUR 16 thousand. The other services relate to consulting services on procedural documentation for archiving for a subsidiary. In the comparative period, these are exclusively fees of S&P GmbH Wirtschaftsprüfungsgesellschaft, Augsburg (i.e. without fees of international associations and networks).

12. Number of employees

The CANCOM Group had an average of 3,555 employees during the reporting period (comparable period: 3,206 employees) and 3,820 employees at the end of the year (comparable period: 3,403 employees).

The average number of employees in the reporting period of 3,555 is distributed among the following functional areas: Professional Services 2,191 employees (comparative period: 1,982 employees), Sales 764 employees (comparative period: 686 employees) and Central Services 600 employees (comparative period: 538 employees).

13. Information on investments in the capital of CANCOM SE

As of the balance sheet date of the reporting period, the Company had the following information on shareholdings subject to disclosure requirements pursuant to Sections 33 et seq. WpHG:

On December 5, 2019, the Ministry of Finance of the State of Norway, Oslo, Norway, notified CANCOM SE on behalf of the State of Norway that its share of voting rights in CANCOM SE exceeded the threshold of 3 percent of the voting rights on December 4, 2019, directly or indirectly, and amounted to 4.82 percent (equivalent to 1,688,002 voting rights) on that date. Due to additional voting rights resulting from financial instruments, the total share of voting rights held on the same day amounted to 4.94 percent (equivalent to 1,731,167 voting rights).

BlackRock Inc, Wilmington, DE, USA, informed CANCOM SE on September 2, 2019, that its share of voting rights in CANCOM SE exceeded the threshold of 3 percent on August 28, 2019, directly or indirectly, and amounted to 3.31 percent (equivalent to 1,159,395 voting rights) on that date. Due to additional voting rights resulting from financial instruments, the total share of voting rights held on the same day amounted to 3.32 percent (equivalent to 1,162,161 voting rights).

SMALLCAP World Fund, Inc., Lutherville - Timonium, MD, USA, notified CANCOM SE on June 5, 2019 that its share of voting rights in CANCOM SE directly or indirectly held on June 3, 2019 exceeded the threshold of 5 percent of the voting rights and amounted to 5.06 percent (equivalent to 1,772,553 voting rights) on that date.

On April 15, 2019, Capital Group Companies, Inc., Los Angeles, California, USA, notified CANCOM SE that its share of voting rights in CANCOM SE exceeded the 5 percent threshold on April 11, 2019, directly or indirectly held by SMALLCAP World Fund, Inc. and amounted to 5.06 percent (equivalent to 1,771,649 voting rights) on that date.

BNP Paribas Asset Management France S.A.S., Paris, France, notified CANCOM SE on November 29, 2018, that its share of the voting rights in CANCOM SE, directly or indirectly held, exceeded the threshold of 3 percent of the voting rights on November 26, 2018, and amounted to 3.02 percent (equivalent to 1,057,209 voting rights) on that date.

Allianz Global Investors GmbH, Frankfurt, Germany, informed us on August 3, 2018, that its share of voting rights in CANCOM SE, directly or indirectly held, exceeded the 5 percent threshold on August 1, 2018, and amounted to 5.02 percent (equivalent to 1,760,793 voting rights) on that date.

14. Management Board and Supervisory Boardt

The following persons were appointed as members of the Management Board during the reporting period:

- Mr. Thomas Volk, Dipl.-Informatiker, Inning (until January 31, 2020) – Chairman – (until January 31, 2020);

- Mr. Rudolf Hotter, Dipl.-Betriebswirt, Roßhaupten – Chairman – (from February 1, 2020);

- Mr. Thomas Stark, Dipl.-Wirtsch.-Ing., Wittislingen.

All members of the Management Board are authorized to represent the company together with another member of the Management Board or together with an authorized signatory.

The following members of the Management Board are members of supervisory boards or comparable domestic or foreign supervisory bodies of commercial enterprises that must be formed by law:

Mr. Thomas Volk in:
- Polecat Intelligence Ltd, Ireland (Chair);
- tyntec Group Ltd, Great Britain (Chairman);
- Unify Square, USA;
- CANCOM GmbH (Group mandate, until January 31, 2020);
- CANCOM ICT Service GmbH (Group mandate, until January 31, 2020).

Mr. Rudolf Hotter in:
- CANCOM Managed Services GmbH (formerly: Pironet AG) (Group mandate, from February 1, 2020);
- CANCOM ICT Service GmbH (Group mandate, Chairman);
- CANCOM GmbH (Group mandate, Chairman, until June 30, 2019).

Mr. Thomas Stark in:
- AL-KO Kober SE.

The following were appointed as members of the Supervisory Board during the reporting period:

- Dr. Lothar Koniarski, Dipl.-Kaufmann, Managing Director of Elber GmbH, Regensburg - Chairman;

- Mr. Uwe Kemm, independent consultant for organization, sales and marketing (until June 26, 2019), - Deputy Chairman - (until June 26, 2019);

- Mr. Hans-Ulrich Holdenried, Dipl.- Kaufmann, independent management consultant (from June 26, 2019, until February 5, 2020);

- Mrs. Regina Weinmann, Dipl.-Kauffrau, Managing Director of ABCON Vermögensverwaltung GmbH, Munich, and Inter-Connect Holding GmbH (formerly Inter-Connect GmbH), Munich (until December 31, 2019);

- Mrs. Marlies Terock, businesswoman, independent management consultant in the field of information technology (until June 26, 2019);

- Mr. Martin Wild, Chief Innovation Officer of MediaMarktSaturn Retail Group, Ingolstadt;

- Mr. Stefan Kober (from February 11, 2019), businessman, investor and member of the supervisory boards of various companies - Deputy Chairman - (from June 26, 2019);

- Prof. Dr. Isabell M. Welpe, Professor and holder of the Chair of Strategy and Organization at the Technical University of Munich, Munich (from June 26, 2019)

The following members of the Supervisory Board are members of other statutory supervisory boards or comparable domestic or foreign supervisory bodies of commercial enterprises:

Dr. Lothar Koniarski:
- SBF AG, Leipzig (Chairman of the Supervisory Board);
- DV Immobiliengruppe, Regensburg (chair of the advisory board);
- Alfmeier Präzisions SE, Treuchtlingen (Member of the Board of Directors);
- Mutares AG, Munich (member of the Supervisory Board).

Mr. Uwe Kemm:
- PRIMEPULSE SE, Munich, (Member of the Board of Directors).

Mr. Hans-Ulrich Holdenried:
- Infineon Technologies AG, Neubiberg (Member of the Supervisory Board);
- Bridge imp GmbH, Grünwald (member of the advisory board).

Mr. Martin Wild:
- Digitales Gründerzentrum der Region Ingolstadt GmbH (Member of the Supervisory Board);
- Artificial Intelligence Network Ingolstadt GmbH, Ingolstadt (Member of the Supervisory Board).

Frau Prof. Dr. Isabell M. Welpe:
- Deloitte Deutschland GmbH Wirtschaftsprüfungsgesellschaft, Düsseldorf (member of the Supervisory Board).

Mr. Stefan Kober:
- AL-KO Kober SE, Kötz (Chairman of the Supervisory Board);
- STEMMER IMAGING AG, Puchheim (Member of the Supervisory Board);
- KATEK SE, Munich (Member of the Supervisory Board).

15. Significant events after the reporting period

On January 8, 2020, CANCOM announced that Mr. Thomas Volk, Chief Executive Officer and Chairman of the Executive Board of CANCOM SE since October 2018, will leave the company on January 31, 2020. With effect from February 1, 2020, the Supervisory Board of CANCOM SE has appointed Rudolf Hotter, a long-standing member of the Executive Board, as the new Chairman of the Executive Board of CANCOM SE. In addition, the Supervisory Board has decided to allocate the tasks assigned to Mr. Thomas Volk after his departure from the Company to the two Executive Board members Rudolf Hotter and Thomas Stark until further notice.

After the end of the reporting period, the outbreak and spread of the corona virus gave rise to a single event which could have a significant impact on the CANCOM Group's future earnings, financial and asset position. Possible financial effects and risks may arise from economic developments in general and from the development of the IT market in particular, and from bad debt risks. Accordingly, this event has been taken into account in the forecast report and the risk report in the CANCOM Group's consolidated financial statements. At the time these financial statements were released, there was no reliable information on the specific effects, either positive or negative, of the spread of the corona virus and the associated protective measures on the CANCOM Group's earnings, financial and asset position.

16. Proposal for the appropriation of the CANCOM SE result

The Executive Board resolves to propose to the Supervisory Board and the Annual General Meeting that the net profit of CANCOM SE for the reporting period, determined in accordance with the provisions of German commercial law, in the amount of € 72,898,276.51 (comparative period: € 48,102.451.14) to distribute a dividend of € 19,274,000.50 (comparative period: € 17,521,819.00), i.e. € 0.50 (comparative period: € 0.50) per eligible share, and to transfer the balance sheet profit remaining after the distribution to other revenue reserves.

17. Use of the exemption pursuant to Section 264 (3) HGB and Section 479A UK Companies Act 2006

CANCOM GmbH, Jettingen-Scheppach, CANCOM ICT Service GmbH, Munich, CANCOM Managed Services GmbH, Munich, and CANCOM on line GmbH, Berlin, make use of the relief provisions of Section 264 (3) of the German Commercial Code.

The subsidiaries CANCOM LTD (Company No. 11243168), CANCOM UK Holdings Limited (Company No. 11504228), CANCOM UK TOG Limited (Company No. 3502223), CANCOM UK Professional Services Limited (Company No. 8523329), CANCOM Ocean Ltd (Company No. 11245563), Ocean Network Services Ltd (Company No. 4251666), Ocean Intelligent Communications Ltd (Company No. 8249146), OCSL Employee Services LLP (Company No. OC368462), OCSL Property LLP (Company No. OC327777), M.H.C. Consulting Services Ltd (Company No. 2817210) are exempt from the UK Companies Act 2006 requirements relating to the audit of their individual accounts by virtue of Section 479A of the UK Companies Act 2006 as CANCOM SE has guaranteed the subsidiary company under Section 479C of the UK Companies Act 2006.

Munich, April 29, 2020

The Executive Board of CANCOM SE

Rudolf Hotter
CEO

Thomas Stark
CFO

Responsibility statement by the legal representatives

To the best of our 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 Company, and the management report of CANCOM SE and of the CANCOM Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Munich, April 29, 2020

The Executive Board of CANCOM SE

Rudolf Hotter
CEO

Thomas Stark
CFO

List of shareholdings

Name of the company	Seat of the company	Shareholding in %
Subsidiary		
1. CANCOM GmbH	Jettingen-Scheppach	100.00
and their subsidiaries		
- CANCOM (Switzerland) AG	Caslano/Switzerland	100.00
- CANCOM Computer Systems GmbH	Graz/Austria	100.00
and their subsidiaries		
- CANCOM a + d IT solutions GmbH	Perchtoldsdorf/Austria	100.00
2. CANCOM ICT Service GmbH	Munich	100.00
3. CANCOM Managed Services GmbH (formerly Pironet AG)	Munich	100.00
4. CANCOM on line GmbH	Berlin	100.00
5. Cancom on line BVBA	Elsene/Belgium	100.00
6. CANCOM physical infrastructure GmbH	Jettingen-Scheppach	100.00
7. CANCOM Financial Services GmbH	Jettingen-Scheppach	100.00
8. CANCOM VVM GmbH (formerly CANCOM Managed Services GmbH)	Munich	100.00
9. CANCOM, Inc.	Palo Alto/USA	100.00
and their subsidiaries		
- HPM Incorporated	Pleasanton/USA	100.00
10. CANCOM LTD	London/Great Britain	87.99
and their subsidiaries		
- CANCOM UK Holdings Limited (formerly CANCOM UK LTD)	London/Great Britain	100.00
and their subsidiaries		
- CANCOM UK TOG Limited (formerly The Organised Group Ltd)	Wisborough Green/Great Britain	87.99
and their subsidiaries		
- CANCOM UK Limited (formerly Organised Computer Systems Ltd)	Wisborough Green/Great Britain	100.00 [3]
- CANCOM UK Managed Services Limited (vormals OCSL Managed Services Ltd)	Wisborough Green/Great Britain	100.00
- CANCOM UK Professional Services Limited (formerly OCSL Project Services Ltd)	Wisborough Green/Great Britain	100.00
and their subsidiaries		
- M.H.C. Consulting Services Ltd	Wisborough Green/Great Britain	100.00
- OCSL ITO Limited	Wisborough Green/Great Britain	100.00
- OCSL Emloyee Services LLP	Wisborough Green/Great Britain	100.00 [1]
- OCSL Property LLP	Wisborough Green/Great Britain	100.00 [2]
- Novosco Group Limited	Belfast/United Kingdom	100.00
and their subsidiaries		
- Novosco Ltd	Belfast/United Kingdom	100.00
- Novosco Limited	Dublin/Ireland	100.00
- CANCOM Ocean Ltd	London/Great Britain	80.02
and their subsidiaries		
- Ocean Intelligent Communications Ltd.	Weybridge (formerly Tames Dilton)/Great Britain	100.00
and their subsidiaries		
- Ocean Unified Communications Ltd	Weybridge (formerly Tames Dilton)/Great Britain	100.00
- Ocean Network Services Ltd	Weybridge (formerly Tames Dilton)/Great Britain	100.00
11. CANCOM Slovakia s.r.o.	Košice/Slovakia	100.00
Non-consolidated structured companies		
12. Duana Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG [4)]	Mainz	100.00 [5]

1) Members: CANCOM UK TOG Limited und CANCOM UK Managed Services Limited.
2) Members: CANCOM UK TOG Limited and CANCOM UK Limited
3) 90 percent is held by CANCOM UK TOG Limited and 10 percent by OCSL Employee Services LLP
4) The company was founded in the 2019 reporting period, and annual financial statements had not yet been prepared and published by the time the consolidated financial statements were prepared.
5) Voting rights 10 percent.

Reproduction of the auditor's report

To CANCOM SE, Munich

Note on the audit of the consolidated financial statements and the Group management report

Audit opinions

We have audited the consolidated financial statements of CANCOM SE and its subsidiaries (the Group), comprising the consolidated balance sheet as at December 31 , 2019, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the financial year from January 1, 2019 to December 31, 2019, and the notes to the consolidated financial statements, including a summary of significant accounting policies. We have also audited the Group management report of CANCOM SE for the financial year from January 1, 2019 to December 31, 2019. In accordance with German law, we have not audited the content of the components of the Group Management Report mentioned in the "Other information" section of our audit opinion.

In our opinion, based on the findings of our audit

- the accompanying consolidated financial statements comply in all material respects with IFRSs as adopted by the EU and the additional requirements of German law pursuant to Section 315e (1) HGB and give a true and fair view of the net assets and financial position of the Group as of 31 December 2019 and of its results of operations for the fiscal year from 1 January 2019 to 31 December 2019 in accordance with these requirements; and

- the attached group management report provides a suitable understanding of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and suitably presents the opportunities and risks of future development. Our audit opinion on the group management report does not extend to the content of the components of the group management report mentioned in the section "Other information".

In accordance with § 322 (3) sentence 1 HGB, we declare that our audit has not led to any objections to the correctness of the consolidated financial statements and the Group management report.

Basis for the audit opinions

We conducted our audit of the consolidated financial statements and the group management report in accordance with § 317 HGB and the EU Auditor Regulation (No. 537/2014; hereinafter "EU-APrVO") and in compliance with the generally accepted German auditing standards established by the Institut der Wirtschaftsprüfer (IDW). Our responsibility under these rules and principles is described in more detail in the section "Responsibility of the auditor for the audit of the consolidated financial statements and the Group management report" in our audit opinion. We are independent of the Group companies in accordance with European law and German commercial and professional regulations and have fulfilled our other German professional duties in accordance with these requirements. In addition, we declare pursuant to Article 10 (2) (f) EU-APrVO that we have not performed any prohibited non-audit services pursuant to Article 5 (1) EU-APrVO. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements and the Group management report.

Audit issues of particular importance in the audit of the consolidated financial statements

Matters of particular importance are those matters which in our opinion, based on our professional judgment, are most relevant to our audit of the consolidated financial statements for the financial year from January 1, 2019 to December 31, 2019. These matters have been considered in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon; we do not express a separate opinion on these matters.

The recoverability of goodwill

Please refer to sections A.3.11 and B.8.3 of the notes to the consolidated financial statements for details of the accounting policies and assumptions applied¬. Information on the amount of goodwill can be found in section B.8.3 of the notes to the consolidated financial statements.

THE RISK TO THE FINANCIAL STATEMENTS

The goodwill amounts to EUR 213,577 thousand as of December 31, 2019 and is of material significance for the financial position.

The impairment test for goodwill is complex and is based on a number of discretionary assumptions. These include, in particular, the expected business and earnings development of the cash-generating units for the next five years and the discount rate used.

Due to the loss of major customers and a slower than originally planned changeover of business activities to managed service concepts, the business development of HPM Incorporated in the 2019 financial year fell well short of expectations. This has a negative impact on the future business and earnings prospects of the cash-generating unit. The reduction in the expected future cash inflows of HPM Incorporated leads to a complete impairment of goodwill in the amount of EUR 13,332 thousand.

There is a risk for the consolidated financial statements that the¬ impairment existing as of the balance sheet date¬ was not determined to an appropriate amount. There is also a risk that the related disclosures in the notes are inappropriate.

OUR APPROACH TO THE AUDIT

With the involvement of our valuation specialists, we assessed, among other things, the appropriateness of the key assumptions of the underlying corporate planning and the Company's calculation method. To this end, we discussed the expected business and earnings development with those responsible for planning. In addition, we assessed the consistency of the assumptions with external market estimates.

We also satisfied ourselves of the quality of the company's forecasts to date by comparing the previous year's plans with the results actually achieved and analyzing any deviations. We compared the assumptions and parameters underlying the discount rate, in particular the risk-free interest rate, the market risk premium and the beta factor, with our own assumptions and publicly available data. To ensure the mathematical accuracy of the valuation model used, we have reconstructed the Company's calculations on the basis of elements selected on a risk-oriented basis.

Finally, we have assessed whether the disclosures in the notes on the impairment of goodwill are appropriate.

OUR CONCLUSIONS

The calculation method underlying the impairment test of goodwill is appropriate and in accordance with the applicable valuation principles.

The assumptions and parameters of the company on which the valuation is based are within the permissible ranges.

The related notes are appropriate.

The acquisition of the shares in Novosco Group Limited

Please refer to section A.3.30 of the notes to the consolidated financial statements for details of the accounting policies applied. Information on the acquisition of the shares in Novosco Group Limited can be found in section A.2.2 of the notes to the consolidated financial statements.

THE RISK TO THE FINANCIAL STATEMENTS

On October 14, 2019, CANCOM LTD, London/Great Britain, a direct subsidiary of CANCOM SE, acquired 100% of the shares in Novosco Group Limited, Belfast/ Great Britain. Taking into account the acquired net assets of EUR 30,527 thousand, goodwill amounted to EUR 64,551 thousand.

In accordance with IFRS 3, the identifiable assets acquired and liabilities assumed are generally recognized at fair value on the date of acquisition. CANCOM has consulted an external expert to determine and measure the identifiable assets acquired and liabilities assumed.

Identification and measurement of the assets acquired and liabilities assumed are complex and based on discretionary assumptions made by the Management Board. The key assumptions relate to the revenue planning and margin development of the acquired business operations, the imputed usage fees for supporting assets (Contributory Asset Charges) used and the cost of capital.

There is a risk for the consolidated financial statements that the acquired assets and assumed liabilities are incorrectly identified or incorrectly valued. There is also a risk that the related notes to the financial statements may not be complete and accurate.

OUR APPROACH TO THE AUDIT

With the involvement of our valuation specialists, we assessed, among other things, the appropriateness of the key assumptions and the identification and valuation procedures. To this end, we first of all gained an understanding of the acquisition transaction by interviewing employees in the finance and M&A departments and by assessing the relevant contracts.

We have reconciled the total purchase price with the underlying purchase agreement and the proof of payment.

We have assessed the competence, skills and objectivity of the independent expert appointed by CANCOM SE. We also assessed the process of identifying the acquired assets and assumed liabilities against the background of our knowledge of CANCOM's business model for compliance with the requirements of IFRS 3. We have examined the valuation methods used for compliance with the valuation principles.

We discussed the expected development of sales and margins with those responsible for planning. The imputed usage fees for supporting assets (Contributory Asset Charges) used for the valuation of intangible assets were reviewed for appropriateness in terms of both calculation and content. We have verified the appropriate deduction within the framework of the residual value method applied. We have compared the assumptions and parameters underlying the cost of capital, especially the risk-free interest rate, the market-risk premium and the beta factor, with our own assumptions and publicly available data.

To assess the mathematical accuracy, we have reconstructed selected calculations from a risk-oriented perspective. Finally, we have assessed whether the notes to the financial statements on the acquisition of Novosco Group Limited, Belfast, United Kingdom, are complete and appropriate.

OUR CONCLUSIONS

The procedure underlying the identification and measurement of the acquired assets and assumed liabilities is appropriate and consistent with the accounting policies to be applied.

The key assumptions and parameters are appropriate and the presentation in the notes to the consolidated financial statements is complete and appropriate.

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Revenue recognition

Please refer to section A. 3.2 of the notes to the consolidated financial statements for details of the accounting and valuation principles applied.

THE RISK TO THE FINANCIAL STATEMENTS

The consolidated financial statements of CANCOM SE for the 2019 fiscal year show sales revenue of EUR 1,549 million. Revenues are mainly attributable to proceeds from the sale of hardware and software and the provision of services.

As a provider of complete solutions, CANCOM advises its customers on the configuration of their IT infrastructure, supplies the necessary hardware and software, and in some cases provides installation and integration services on site. In addition, CANCOM takes over the partial or complete operation of its customers' IT systems (managed services). CANCOM either provides these services itself, or has them provided directly at the customer's premises by the manufacturers of sold hardware or software.

According to IFRS 15, if another party is involved in the delivery of goods or the provision of services to a customer, an entity must assess whether its performance obligation is to deliver the goods or provide the services as principal or to act as agent for the delivery of the goods or provision of the services by that other party. The assessment is complex and involves judgement.

There is a risk for the financial statements that the classification of the nature of the commitments of the performance obligations provided by CANCOM as an intermediary may be incorrect, and that sales revenues may therefore not be measured correctly and/or deferred incorrectly. There is also a risk for the financial statements that the presentation in the notes is inappropriate.

OUR APPROACH TO THE AUDIT

First of all, we reconstructed a classification of commitment types by contract type carried out by the company. On this basis, we selected, in a risk-oriented manner, revenue streams that were highly complex or highly error-prone due to the contract design. From these revenue streams, we made a deliberate selection of contracts that are typical for certain hardware and software suppliers.

We then assessed the nature of the commitments contained in the agreements with regard to the -provisions of IFRS 15 on principal/agent classification, the resulting revenue recognition (on a time or period basis) and the mapping in the accounts.

Our audit revealed that the related revenue recognition in previous years was not appropriate. In the case of the sale of service, support and warranty services provided directly by hardware manufacturers, revenue was recognized in the amount of the fee charged by the manufacturer (gross) instead of the agency fee (net), although CANCOM acts as an agent in the transactions in question.

CANCOM then determined the error that had occurred in previous years and in the current financial year, and corrected the figures for the previous year contained in the consolidated financial statements and the accounting for the current year. The Company has described the content and scope of the correction of the errors in the Notes.

We thereupon reconstructed the determination of the population of identical or similar sales revenues carried out by the company and the resulting correction amounts in terms of content and calculation. From these corrections, we in turn evaluated the correct balance sheet presentation by means of a conscious selection of contracts.

Finally, we have satisfied ourselves that the facts described above are properly presented in the notes.

OUR CONCLUSIONS

Following the corrections made for both the comparison period and the reporting period, the classification of the type of commitments under the contracts for the sale of software, hardware and related services is appropriate. The corresponding revenue is measured appropriately and accrued over time. The presentation in the notes is appropriate.

Other information

The legal representatives or the Supervisory Board are responsible for other information. The other information comprises the following components of the Group management report, which have not been audited:

- dthe separate non-financial consolidated financial statements expected to be available to us after the date of this audit opinion, which are referred to in the Group management report,
- the consolidated statement on corporate governance referred to in the group management report, and
- the disclosures contained in the Group management report that are unrelated to the management report and identified as unaudited.

The other information also includes the other parts of the annual report.

The other information does not include the consolidated financial statements, the audited Group management report and our associated audit opinion.

Our audit opinion on the consolidated financial statements and the Group management report does not extend to the other information and, accordingly, we do not express an audit opinion or any other form of conclusion on these matters.

In connection with our audit, we have a responsibility to read the other information and assess whether the other information

- contain material inconsistencies with the consolidated financial statements, the audited consolidated management report or our audit findings, or
- appear to be substantially misrepresented elsewhere.

Management's Responsibility for the Consolidated Financial Statements and the Group Management Report

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRSs as adopted by the EU, and the additional requirements of German law pursuant to § 315e Abs. 1 HGB and German commercial law pursuant to § 315e Abs. 1 HGB, and for ensuring that the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. Furthermore, the legal representatives are responsible for the internal controls that they have determined to be necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the legal representatives are responsible for assessing the Group's ability to continue as a going concern. They are also responsible for disclosing, where relevant, the matters relating to the Group's ability to continue as a going concern. In addition, they are responsible for accounting for the business as a going concern unless the Group is to be wound up or decommissioned or there is no realistic alternative but to liquidate the Group.

In addition, the legal representatives are responsible for the preparation of the group management report, which as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development. Furthermore, the legal representatives are responsible for the precautions and measures (systems) which they have deemed necessary to enable the preparation of a Group management report in accordance with the applicable German legal regulations and to provide sufficient suitable evidence for the statements made in the Group management report.

The Supervisory Board is responsible for monitoring the Group's accounting process for preparing the consolidated financial statements and the Group management report.

Auditor's responsibility for the audit of the consolidated financial statements and the group management report

Our objective is to obtain reasonable assurance as to whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development in all material respects in accordance with the consolidated financial statements and the findings of our audit, as well as to issue an audit opinion which includes our audit opinions on the consolidated financial statements and the group management report.

Adequate assurance is a high degree of certainty, but does not guarantee that an audit conducted in accordance with § 317 HGB and the EU-APrVO and in compliance with the generally accepted German auditing¬ standards established by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can result from violations or inaccuracies and are considered material if it could reasonably be expected that they could individually or collectively influence the economic decisions of addressees made on the basis of these consolidated financial statements and the Group management report.

During the audit we exercise due discretion and maintain a critical attitude. Beyond that

- we identify and assess the risks of material misstatement of the consolidated financial statements and the group management report, whether due to fraud or error, plan and perform the audit procedures to respond to these risks and obtain audit evidence sufficient and appropriate to provide a basis for our audit opinion. The risk that material misstatements will not be detected is higher for violations than for inaccuracies, as violations may involve fraudulent collusion, falsification, intentional incompleteness, misleading statements or the invalidation of internal controls.

- we obtain an understanding of the internal control system relevant to the audit of the consolidated financial statements and the procedures and measures relevant to the audit of the group management report in order to plan audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.

- we evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- we draw conclusions about the appropriateness of the accounting policies used by the legal representatives of the Group's going concern basis and, based on the audit evidence obtained, whether there is any material uncertainty related to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are obliged to draw attention in our audit opinion to the related disclosures in the consolidated financial statements and the group management report or, if these disclosures are inappropriate, to modify our respective audit opinion. We draw our conclusions on the basis of the audit evidence obtained up to the date of our audit opinion. However, future events or circumstances may result in the Group being unable to continue its operations.

- we assess the overall presentation, structure and content of the consolidated financial statements, including the disclosures and whether the consolidated financial statements present the underlying transactions and events in such a way that the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with IFRS as adopted by the EU and the additional requirements of German law pursuant to Section 315e (1) HGB.

- we obtain sufficient suitable audit evidence for the accounting information of the companies or business activities within the group to enable us to express an opinion on the consolidated financial statements and the group management report. We are responsible for instructing, monitoring and performing the audit of the consolidated financial statements. We are solely responsible for our audit opinions.

- we assess the consistency of the Group management report with the consolidated financial statements, its legal representatives and the picture of the Group's situation conveyed by it.

- we perform audit procedures on the future-oriented statements made by the legal representatives in the group management report. On the basis of sufficient and appropriate audit evidence, we verify in particular the significant assumptions underlying the forward-looking statements made by the legal representatives and assess whether the forward-looking statements can be properly derived from these assumptions. We do not express an independent audit opinion on the forward-looking statements and the underlying assumptions. There is a significant unavoidable risk that future events could differ materially from the forward-looking statements.

We discuss with those responsible for monitoring, among other things, the planned scope and timing of the audit as well as significant audit findings, including any deficiencies in the internal control system that we discover during our audit.

We make a declaration to those responsible for monitoring that we have complied with the relevant independence requirements and discuss with them any relationships or other matters that can reasonably be expected to affect our independence and the safeguards put in place to protect it.

Of the matters that we have discussed with those responsible for supervision, we have identified those matters that were most significant in the audit of the consolidated financial statements for the current reporting period and are therefore the most significant audit matters. We describe these matters in our audit opinion unless laws or regulations preclude public disclosure of the matters.

Other legal and regulatory requirements

Other information required under Article 10 EU-APrVO

We were elected as auditors of the consolidated financial statements by the Annual General Meeting on June 26, 2019. We were commissioned by the Supervisory Board on December 17, 2019. We have been the auditors of the consolidated financial statements of CANCOM SE without interruption since the 2019 financial year.

We declare that the audit opinions contained in this audit report are consistent with the additional report to the Audit Committee pursuant to Article 11 EU-APrVO (audit report).

Responsible auditor

The auditor responsible for the audit is Hans Querfurth.

Augsburg, the 30. April 2020

KPMG AG
Wirtschaftsprüfungsgesellschaft

signed. Braun
Auditors

signed. Querfurth
Auditors

Balance sheet

ASSETS

(in €)	Dec. 31, 2019	Dec. 31, 2018
A. FIXED ASSETS		
I. Intangible assets		
Concessions, industrial property rights and similar rights and assets acquired against payment as well as licenses to such rights and assets	100,651.83	101,618.21
II. Property, plant and equipment		
1. Technical equipment and machinery	14,040.63	29,008.27
2. Other equipment, furniture and fixtures	281,095.11	377,535.53
	295,135.74	406,543.80
III. Long-term financial assets		
1. Shares in affiliated companies	261,955,012.79	248,290,429.13
2. Loans to affiliated companies	123,451,459.35	73,743,923.23
3. Loans to companies with whom an investment relationship exists	1.00	1.00
4. Long-term securities	4,000,000.00	4,000,000.00
	389,406,473.14	326,034,353.36
	389,802,260.71	326,542,515.37
B. CURRENT ASSETS		
I. Accounts receivable and other assets		
1. Trade accounts payable	534.31	5,352.50
2. Accounts receivables from affiliated companies	60,776,386.04	61,437,576.40
3. Other assets	3,946,021.92	836,851.13
	64,722,942.27	62,279,780.03
II. Cash on hand and bank balances	188,625,416.42	13,281,229.28
	253,348,358.69	75,561,009.31
C. PREPAID EXPENSES AND DEFERRED CHARGES	324,355.89	122,176.98
Assets, total	**643,474,975.29**	**402,225,701.66**

EQUITY AND LIABILITIES

(in €)	Dec. 31, 2019	Dec. 31, 2018
A. EQUITY		
I. Capital stock	38,548,001.00	35,043,638.00
II. Capital reserve	378,384,832.32	207,722,354.22
III. Revenue reserves		
1. Statutory reserves	6,665.71	6,665.71
2. Other revenue reserves	133,077,990.99	102,497,358.85
	133,084,656.70	102,504,024.56
IV. Net retained profit/ net accumulated loss	72,898,276.51	48,102,451.14
	622,915,766.53	393,372,467.92
B. PROVISIONS		
1. Tax provisions	2,482,178.51	4,272,301.04
2. Other provisions	3,002,671.38	2,700,531.00
	5,484,849.89	6,972,832.04
C. LIABILITIES		
1. bonds	0.00	597,019.00
2. liabilities to banks	0.00	223,859.00
3. trade accounts payable	595,105.17	874,420.62
4. liabilities to affiliated companies	52,007.29	52.06
5. other liabilities	13,770,170.41	179,077.02
	14,417,282.87	1,874,427.70
D. PREPAID EXPENSES AND DEFERRED CHARGES	4,390.00	5,974.00
E. DEFERRED TAX LIABILITIES	652,686.00	0.00
Liabilities, total	**643,474,975.29**	**402,225,701.66**

Profit and loss account

(in €)	Jan. 1, 2019 to Dec. 31, 2019	Jan. 1, 2018 to Dec. 31, 2018
1. ales revenues	8,659,441.92	8,711,557.08
2. Other operating income	1,345,641.95	691,651.09
3. Cost of materials		
Cost of raw materials, supplies and purchased merchandise	-22,886.97	0.00
4. Human resources expenses		
(a) Wages and salaries	-8,323,437.39	-7,639,535.07
(b) Social security contributions and expenditure on pensions and other benefits	-885,185.60	-706,415.42
of which for old-age pensions in the amount of € 7,695.81 (previous year: € 7,985.41)		
	-9,208,622.99	-8,345,950.49
5. Depreciation		
(a) Intangible and tangible fixed assets	-170,736.80	-256,155.91
(b) On current assets, in so far as such assets exceed the depreciation and amortization customary in a capital company	0.00	-300,000.00
	-170,736.80	-556,155.91
6. Other operating expenses	-8,876,416.80	-5,055,623.20
7. Income from investments	44,354,297.59	13,737,906.13
8. Profits received under a profit transfer agreement	45,309,831.93	52,747,566.07
9. Other interest and similar income	4,625,617.30	2,655,788.76
10. Write-downs of financial assets and securities held as current assets	0.00	-205,066.10
11. Interest and similar expenses	-99,094.38	-71,095.82
12. Taxes on income and earnings	-13,015,849.24	-16,195,680.40
13. Earnings after taxes	**72,901,223.51**	**48,114,897.21**
14. Other taxes	-2,947.00	-12,446.07
15. Net income for the year	**72,898,276.51**	**48,102,451.14**
16. Profit carried forward from the previous year	48,102,451.14	38,033,690.90
17. Transfers to revenue reserves		
to other revenue reserves	-30,580,632.14	-20,511,871.90
18. Distribution of dividends	-17,521,819.00	-17,521,819.00
19. Retained earnings	**72,898,276.51**	**48,102,451.14**

Annex

A. General information

CANCOM SE has its registered office in Munich and is entered in the Commercial Register at the Munich District Court (HRB 203845).

The company is a large corporation (Section 267 (3) sentence 2 HGB in conjunction with Section 264d HGB). The accounting and valuation are based on the provisions of the German Commercial Code (HGB) on the accounting of corporations and the supplementary provisions of the German Stock Corporation Act (AktG) as well as the EC Regulation 2157/2001 on the Statute for a European company (SE).

The principle of consistency of presentation was observed. There were no deviations from the accounting and valuation methods in the financial year compared with the previous year.

CANCOM has made a reassessment in the IFRS consolidated financial statements for 2019 regarding the recognition of revenue on the sale of certain support services, and as a result has corrected errors retrospectively. The reassessment concerned the question of whether performance obligations from support services will be fulfilled over a certain period of time or at a certain point in time. Instead of revenue being recognized at a specific time, CANCOM is recognizing certain support services, for which CANCOM acts as principal, in the IFRS consolidated financial statements for 2019 on a time basis, i.e. distributed over the periods in which the services are provided. Recognition over a specific period was also judged to be the better method for realizing sales under commercial law. For this reason, the effects of the change in revenue recognition in relation to the 2019 reporting year and the previous year 2018 were determined when preparing the annual financial statements of CANCOM SE under German commercial law and taken into account in the accounts. Although CANCOM SE was not directly affected by the reassessment of the revenue recognition requirements, the change in revenue recognition had an impact on operating subsidiaries and thus on the amount of income recognized from investments with which a profit and loss transfer agreement exists.

The changes affecting the previous year 2018 were made in the current account, i.e. in the reporting year 2019. If the changes relating to the previous year 2018 had not been made in reporting year 2019, the income recognized in the income statement for reporting year 2019 under the item "Profits received under a profit and loss transfer agreement" would have been EUR 2,019 thousand higher and the expense recognized under "Taxes on income" would have been EUR 660 thousand higher.

The annual financial statements were prepared in EUR or EUR thousand. In individual cases, rounding may mean that figures in this report do not add up exactly to the stated total and that percentages do not result exactly from the figures shown.

B. Explanation of the recognition and measurement methods

1. Intangible assets

Intangible assets that are subject to wear and tear are valued at acquisition cost less scheduled pro rata temporis depreciation (assuming a normal useful life of 3 years). Depreciation is calculated using the straight-line method.

2. Property, plant and equipment

Property, plant and equipment is carried at cost less scheduled and any unscheduled depreciation. Depreciation is calculated using the straight-line method.

Property, plant and equipment are based on useful lives of between 3 and 14 years. Unscheduled depreciation is made if permanent impairment is expected.

Low-value assets for which the acquisition or production costs do not exceed € 250.00 are recorded in full as expenses in the year of acquisition.

Assets with acquisition costs of between € 250.00 and € 1,000.00 have been capitalized in a collective item since 1 January 2018. In this collective item all assets of one year are recorded and depreciated linearly over 5 years.

3. Financial assets

Financial assets are valued at acquisition cost or at the lower attributable value if a permanent impairment is presented.

4. Receivables and other assets

Receivables and other assets are carried at their nominal value and, if necessary, at the lower attributable value.

5. Cash on hand and bank balances

Cash in hand and bank balances are carried at their nominal value.

6. Accruals and deferred income

Prepaid expenses and deferred charges include expenses prior to the balance sheet date to the extent that they represent expenses for a specific period thereafter.

7. Equity

The capital stock is stated at nominal value.

8. Provisions

Provisions have been valued at the amount required to settle the obligation according to sound business judgment and take into account all identifiable risks and uncertain obligations as well as impending losses.

9. Liabilities

All liabilities are carried at their settlement amount.

10. Accruals and deferred income

Deferred income comprises income in the reporting year for income in subsequent years.

11. Deferred tax liabilities

An excess of deferred tax liabilities is recognized for differences between the commercial and tax valuations of assets, liabilities and deferred items if it is to be assumed that the overall tax burden will arise in future financial years. To the extent that a future overall tax relief is expected, the option provided by Section 274 (1) sentence 2 HGB is exercised in such a way that no deferred tax assets are recognized. Losses carried forward are taken into account to the extent that they can be offset against taxable income within the next five years. In addition, differences between the commercial and tax valuations of assets, liabilities and prepaid expenses and deferred income of subsidiaries are included to the extent that it can be assumed that future tax charges and relief will result from the reversal of temporary differences at CANCOM SE as the controlling company.

Deferred taxes are measured on the basis of the tax rates applicable in the later financial year of the reversal of the temporary valuation differences, provided that the future tax rates are already known. The income tax rate amounts to 31.1 percent (previous year: 31.1 percent) and relates to corporation tax, trade tax and the solidarity surcharge.

12. Principles of currency translation

Receivables and liabilities in foreign currency are recorded at the exchange rate on the date on which they arise. Receivables and liabilities in foreign currency within the Group are translated at the mean spot exchange rate on the balance sheet date in accordance with section 256a of the HGB.

13. Share-based payment

The Annual General Meeting of June 14, 2018 resolved to issue subscription rights to shares in CANCOM SE to members of the Executive Board or management and selected employees of CANCOM SE and affiliated companies. CANCOM SE has the right to choose whether to fulfil these rights in cash or from the Conditional Capital 2018/1 resolved by the Annual General Meeting. On August 17, 2018, 585,000 share options were issued. On July 2, 2019, 23,000 stock options were issued. In the previous year 30,000 stock options expired and in the year under review 20,000 stock options expired due to changed non-fulfilment of service conditions. As of December 31, 2019, 558,000 options are actually outstanding, none of which are exercisable. It is currently assumed that the option rights will be serviced by equity instruments. They will therefore only be recognized in the balance sheet when the option rights are exercised.

14. Income from investments

Income from investments is generally recognized at the time when the claim arises and the receipt of the corresponding income can be expected with certainty based on reasonable commercial judgement.

15. Profits received or losses to be offset under a profit transfer agreement

Profits received or losses to be offset on the basis of a profit and loss transfer agreement are recognized when the profit to be transferred can be quantified beyond doubt, even if the annual financial statements of the subsidiary have not yet been adopted.

C. Explanations and notes on individual items in the balance sheet

1. Fixed assets

The development of fixed assets is shown in the fixed-asset movement schedule.

Please refer to the list of shareholdings for the composition of financial assets and the respective annual results of the subsidiaries.

Loans to affiliated companies relate to long-term loans to CANCOM LTD (EUR 79,856 thousand; previous year: EUR 29,504 thousand), to CANCOM Ocean Ltd (EUR 27,957 thousand; previous year: EUR 29,071 thousand), to CANCOM Inc. (EUR 14,355 thousand; previous year: EUR 14,554 thousand), CANCOM physical infrastructure GmbH (EUR 1,220 thousand; previous year: EUR 0 thousand) and CANCOM UK Ltd. (EUR 63 thousand; previous year: EUR 615 thousand).

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Development of fixed assets (fixed assets schedule) in the reporting period

	ACQUISITION/PRODUCTION COSTS			
(in €)	**As of Jan. 1, 2019**	**Additions 2019**	**Disposals 2019**	**As of Dec. 31, 2019**
I. Intangible assets				
Purchased concessions, industrial and similar rights and assets, and licenses in such rights and assets	332,882.66	22,770.00	9,000.00	346,652.66
	332,882.66	22,770.00	9,000.00	346,652.66
II. Property, plant and equipment				
1. Technical equipment and machinery	324,193.43	0.00	0.00	324,193.43
2. Other equipment, furniture and fixtures	912,104.56	76,675.56	136,212.17	852,567.95
	1,236,297.99	76,675.56	136,212.17	1,176,761.38
III. Log-term financial assets				
1. Shares in affiliated companies	248,290,429.13	13,664,583.66	0.00	261,955,012.79
2. Loans to affiliated companies	73,743,923.23	51,572,030.58*	1,864,494.46	123,451,459.35
3. Loans to companies with which a participation relationship exists	200,067.10	0.00	0.00	200,067.10
4. Securities held as fixed assets	4,000,000.00	0.00	0.00	4,000,000.00
	326,234,419.46	65,236,614.24	1,864,494.46	389,606,539.24
Total	**327,803,600.11**	**65,336,059.80**	**2,009,706.63**	**391,129,953.28**

*) Additions in 2019 include an amount of EUR 540 thousand, which was reported in the previous year under the item "Receivables from affiliated companies" in current assets.

DEPRECIATIONS				BOOK VALUES	
As of Jan. 1, 2019	**Additions 2019**	**Disposals 2019**	**As of Dec. 31, 2019**	**As of Dec. 31, 2019**	**As of Dec. 31, 2018**
231,264.45	23,736.38	9,000.00	246,000.83	100,651.83	101,618.21
231,264.45	23,736.38	9,000.00	246,000.83	100,651.83	101,618,21
295,185.16	14,967.64	0.00	310,152.80	14,040.63	29,008.27
534,569.03	132,032.78	95,128.97	571,472.84	281,095.11	377,535.53
829,754.19	147,000.42	95,128.97	881,625.64	295,135.74	406.543,80
0.00	0.00	0.00	0.00	261,955,012.79	248,290,429.13
0.00	0.00	0.00	0.00	123,451,459.35	73,743,923.23
200,066.10	0.00	0.00	200,066.10	1.00	1,00
0.00	0.00	0.00	0.00	4,000,000.00	4,000,000.00
200,066.10	0.00	0.00	200,066.10	389,406,473.14	326,034,353.36
1,261,084.74	**170,736.80**	**104,128.97**	**1,327,692.57**	**389,802,260.71**	**326,542,515.37**

2. Receivables and other assets

Trade receivables, receivables from affiliated companies and other assets have a remaining term of less than one year (previous year: remaining term of less than one year).

Of the receivables from affiliated companies, EUR 45,310 thousand (prior year: EUR 52,748 thousand) are attributable to profit receivables under profit transfer agreements, EUR 773 thousand (prior year: EUR 0 thousand) to trade receivables, EUR 29 thousand (prior year: EUR 1,740 thousand) to loan receivables and EUR 14,664 thousand (prior year: EUR 6,949 thousand) to other receivables.

3. Capital stock

The company's share capital was increased by EUR 3,504 thousand in December 2019 through a capital increase of about 10 per cent. As at December 31, 2019, CANCOM SE's share capital amounted to EUR 38,548 thousand (previous year: EUR 35,044 thousand) in accordance with its Articles of Association and was divided into 38,548,001 no-par-value shares (no-par-value shares with a notional value of € 1 per share) (previous year: 35,043,638 no-par-value shares).

3.1. Authorized and conditional capital

In accordance with the Articles of Association, the Company's share capital (Authorized Capital I/2018) totals EUR 7,009 thousand (previously: EUR 10,513 thousand) as of December 31, 2019 and is determined as follows:

By resolution of the Annual General Meeting on June 14, 2018, the Management Board is authorized, with the approval of the Supervisory Board, to increase the Company's share capital on one or more occasions in the period up to June 13, 2023 by up to a total of EUR 7,009 thousand (previous year: EUR 10,513 thousand) by issuing up to 7,008,728 (previous year: 10,513,091) new no-par value bearer shares in return for cash contributions and/or contributions in kind (Authorized Capital I/2018). In principle, the shareholders are to be granted a subscription right. However, the Executive Board is authorized, with the approval of the Supervisory Board, to exclude the statutory subscription right of shareholders in the following cases:

- for residual amounts;
- if a capital increase in return for cash contributions does not exceed 10 percent of the share capital and the issue price of the new shares is not significantly lower than the stock market price (Section 186 (3) sentence 4 of the German Stock Corporation Act); when making use of this authorization under exclusion of subscription rights in accordance with Section 186 (3) sentence 4 of the German Stock Corporation Act, the exclusion of subscription rights on the basis of other authorizations must be taken into account in accordance with Section 186 (3) sentence 4 of the German Stock Corporation Act;
- in the case of capital increases against contributions in kind for the purpose of granting new shares for the purpose of acquiring companies or equity interests in companies or parts of companies or for the purpose of acquiring receivables from the Company

The total number of shares issued on the basis of the above authorization with the exclusion of subscription rights in the case of capital increases against cash and/or non-cash contributions may not exceed a proportionate amount of 20 percent of the share capital either at the time of the resolution or at the time of exercising this authorization. This maximum limit of 20 percent of the share capital shall include the pro rata amount of the share capital (i) attributable to shares of the Company which are issued by the Management Board during the term of the authorized capital under exclusion of subscription rights in accordance with Section 186 (3) sentence 4 AktG or against contributions in kind or sold as treasury shares and (ii) attributable to shares of the Company, which are issued or are to be issued during the term of the authorized capital from conditional capital to service option or convertible bonds, which in turn are issued with the exclusion of subscription rights in accordance with section 186 (3) sentence 4 AktG or against contributions in kind by the Management Board during the term of the authorized capital.

The Management Board decides on the further content of the respective share rights and the conditions for implementing capital increases with the approval of the Supervisory Board.

In the period under review (2019), the Management Board made use of the above authorization and increased the Company's share capital by EUR 3,504 thousand to EUR 38,548 thousand by issuing 3,504,363 new bearer shares. Thus, the remaining Authorized Capital I/2018 as of December 31, 2019 amounts to EUR 7,009 thousand in accordance with the Articles of Association.

In accordance with the Articles of Association, the contingent capital amounts to EUR 1,500 thousand as of December 31, 2019 and is defined as follows:

The share capital is conditionally increased by up to EUR 1,500 thousand through the issue of up to 1,500,000 new no-par value shares (Conditional Capital I/2018). The conditional capital increase will only be implemented to the extent that the holders of stock options issued by the Company in the period up to June 13, 2023 on the basis of the authorization resolution of the Annual General Meeting of June 14, 2018, exercise their subscription rights to shares of the Company and the Company does not grant treasury shares or cash compensation in fulfillment of the subscription rights. The new shares of the Company resulting from the exercise of these subscription rights shall participate in the profit from the beginning of the financial year in which they are issued.

The Management Board is authorized, with the approval of the Supervisory Board, to determine the further details of the implementation of the conditional capital increase.

In the reporting period (2019), no new shares were issued using Contingent Capital I/2018.

The Management Board is not aware of any restrictions affecting voting rights or the transfer of shares.

3.2. Share buyback program

In addition, the Annual General Meeting on June 26, 2019 authorized the Executive Board of CANCOM SE to acquire own shares up to a total of 10 percent of the share capital until June 25, 2024. The 10 percent limit is determined by the number of shares in the share capital at the time the authorization takes effect. If the share capital figure is lower at the time this authorization is exercised, this lower figure shall apply. The acquisition is to take place via the stock exchange or via a public purchase offer addressed to the shareholders. In both cases, the purchase price may not be more than 10 percent above or below the arithmetic mean of the closing auction prices of the CANCOM SE share in XETRA trading (or a comparable successor system) on the Frankfurt Stock Exchange on the last three trading days before the purchase or the entering into an obligation to purchase. The repurchase volume may be limited if the shares offered exceed the total amount of the company's purchase offer. The authorization may be exercised for any legally permissible purpose. Under exclusion of shareholders' subscription rights, treasury shares may be transferred to third parties, in particular for the purpose of acquiring companies or equity interests in companies. Treasury shares may also be sold for cash, provided that the purchase price is not significantly lower than the current market price at the time of the sale. Furthermore, treasury shares may also be used to satisfy conversion or option rights granted by the Company or to pay a stock dividend (script dividend). In addition, treasury shares may be promised or transferred to fulfil remuneration agreements and may be offered for purchase to employees and members of the Management Board in connection with the exercise of subscription rights. The Executive Board of CANCOM SE has also been authorized, with the approval of the Supervisory Board, to redeem treasury shares without a further resolution by the Annual General Meeting.

4. Additional paid-in capital

The capital reserve is composed as follows:

(in T€)	2019	2018
Additional paid-in capital 1.1.	207,722	225,244
Capital increase (§ 272 (2) No. 1 HGB)	170,663	0
Withdrawal (capital increase from company funds)	0	-17,522
Additional paid-in capital at December 31	**378,385**	**207,722**

The capital reserve was created from premiums from capital increases of CANCOM SE from authorized capital against cash contributions (Authorized Capital 2018/I) dated December 2019.

5. Other revenue reserves

The other revenue reserves are composed as follows:

(in T€)	2019	2018
Other revenue reserves 1.1.	102,497	81,985
Allocation from the balance sheet profit	30,581	20,512
Other revenue reserves at December 31	**133,078**	**102,497**

6. Balance sheet profit

The balance sheet profit is composed as follows:

(in T€)	2019	2018
Carried forward 1.1.	48,102	38,034
Dividend distribution	-17,521	-17,522
Transfer to other revenue reserves	-30,581	-20,512
Net profit for the year	72,898	48,102
Retained earnings December 31	**72,898**	**48,102**

7. Other accrued liabilities

Other provisions include provisions for bonuses (EUR 1,900 thousand; prior year: EUR 1.500 thousand), audit and accounting costs (EUR 383 thousand; prior year: EUR 223 thousand), Supervisory Board fees (EUR 315 thousand;; prior year: EUR 309 thousand), variable salary components (EUR 145 thousand; prior year: EUR 83 thousand), outstanding invoices (EUR 84 thousand; prior year: EUR 326 thousand), storage obligations (EUR 68 thousand; prior year: EUR 149 thousand), holidays (EUR 46 thousand; previous year: EUR 56 thousand), the future tax audit (EUR 24 thousand; previous year: EUR 20 thousand), the benefit from rent-free periods (EUR 15 thousand; previous year: EUR 21 thousand), provisions for jubilees (EUR 12 thousand; previous year: EUR 0 thousand) and provisions for the employers' liability insurance association (EUR 11 thousand; previous year: EUR 14 thousand).

8. Liabilities

With regard to the composition of liabilities, we refer to the liabilities schedule presented below.

The subordinated loans were repaid in full by September 30, 2019. The resulting interest of EUR 16 thousand is recognized under interest expenses.

Of the liabilities to affiliated companies, EUR 25 thousand (prior year: EUR 0 thousand) are attributable to trade payables and EUR 27 thousand (prior year: EUR 0 thousand) to other liabilities..

	Remaining term				Secured by liens or similar rights	
(in T€)	up to 1 year	more than 1 year	more than 5 years	As at Dec. 31, 2019		Type, shape
1. trade accounts payable	595	0	0	595	0	not applicable
2. liabilities to affiliated companies	52	0	0	52	0	not applicable
3. other liabilities	13,770	0	0	13,770	0	not applicable
(of which taxes)	13,753	0	0	13,753		
(of which social security contributions)	0	0	0	0		
Total	**14,417**	**0**	**0**	**14,417**	**0**	

	Remaining term				Secured by liens or similar rights	
(in T€)	up to 1 year	more than 1 year	more than 5 years	As at Dec. 31, 2018		Type, shape
1. bonds Subordinated loans	597	0	0	597	0	not applicable
2. liabilities to banks	224	0	0	224	0	not applicable
3. trade accounts payable	874	0	0	874	0	not applicable
4. other liabilities	179	0	0	179	0	not applicable
(of which taxes)	150	0	0	150		
(of which social security contributions)	*0*	*0*	*0*	*0*		
Total	**1,874**	**0**	**0**	**1,874**	**0**	

9. Deferred taxes

Deferred taxes are shown in the following table

(in T€)	Balance sheet values as of 31.12.2019			Deferred taxes as of Dec. 31, 2019	Deferred taxes as of Dec. 31, 2018	Change
	Commercial Law	Tax law	Difference			
Deferred tax assets						
Other accrued liabilities	3,003	2,975	28	9	6	3
Shares in affiliated companies	0	0	0	0	11	-11
Deferred tax liabilities						
Shares in affiliated companies	261,955	198,209	-63,746	-991	-494	-497
Balance of deferred tax assets and liabilities			-63,718	-982	-477	-505
Deferred tax assets of subsidiaries			2,256	703	1,434	-731
Deferred tax liabilities Subsidiary companies			-2,387	-374	0	-374
Balance of deferred tax assets and liabilities of subsidiaries			-131	329	1,434	-1,105
Deferred tax liabilities (previous year: deferred tax assets)			**-63,849**	**-653**	**957**	**-1,610**

As of December 31, 2019, there is a surplus of deferred tax liabilities; the option provided by section 274 (1) sentence 3 of the HGB is exercised for this surplus in such a way that deferred tax assets and liabilities are netted.

Deferred tax liabilities as of December 31, 2019 before netting out EUR 991 thousand mainly related to shares in affiliated companies for which deferred taxes were calculated in the amount of the non-deductible operating expenses of 5 percent (EUR 3,187 thousand).

Deferred tax assets from subsidiaries result primarily from provisions for pensions and other provisions. Deferred tax liabilities from companies under fiscal unity result primarily from equity investments.

D. Notes and information on the profit and loss account

The income statement was prepared using the total cost method.

Revenues in the 2019 financial year mainly comprise Group allocations (EUR 8,596 thousand; previous year: EUR 8,576 thousand). 98 per cent of the revenues in the 2019 financial year were generated in Germany (EUR 8,527 thousand) and 2 per cent abroad (EUR 132 thousand).

Other operating income includes income relating to other periods amounting to EUR 280 thousand (previous year: EUR 16 thousand) and income from currency translation amounting to EUR 258 thousand (previous year: EUR 1 thousand). Income relating to other periods mainly includes income from the reversal of provisions (EUR 271 thousand; prior year: EUR 16 thousand).

Other operating expenses include currency translation expenses of EUR 6 thousand (prior year: EUR 1 thousand) and extraordinary expenses of EUR 3,673 thousand (prior year: EUR 6 thousand). The extraordinary expenses relate to capital increase costs and result from a capital increase in the 2019 financial year from authorized capital against cash contributions (Authorized Capital 2018/I) of December 2019.

The income from investments consists of EUR 44,354 thousand (previous year: EUR 13,738 thousand) in income from affiliated companies.

The item Profit received under a profit transfer agreement shows the net profit for the year transferred to CANCOM SE by CANCOM GmbH (EUR 40,167 thousand; previous year: EUR 44,391 thousand) and CANCOM ICT Service GmbH (EUR 5,143 thousand; previous year: EUR 8,357 thousand).

Interest and similar income mainly includes interest income from affiliated companies amounting to EUR 4,594 thousand (previous year: EUR 2,625 thousand).

Taxes on income and earnings include deferred tax expenses of EUR 653 thousand (previous year: EUR 0 thousand).

E. Other disclosures

1. Other financial obligations

The obligations from current rental, leasing and license agreements are as follows

Due in year	2020 (in T€)	Total (in T€)
from rental contracts	203	380
from leasing contracts	31	121
from license agreements	64	64
thereof affiliated companies	102	102

Due in year	2020 (in T€)	Total (in T€)
from rental contracts	241	516
from leasing contracts	0	0
from license agreements	0	0
thereof affiliated companies	133	133

2. Contingent liabilities

On the balance sheet date, there were guarantees for CANCOM GmbH (EUR 11,342 thousand; previous year: EUR 11,642 thousand and $ 2,000 thousand; previous year: $ 0 thousand), CANCOM ICT Service GmbH (EUR 5,192 thousand; previous year: EUR 5,192 thousand), CANCOM physical infrastructure GmbH (EUR 150 thousand; previous year: EUR 150 thousand), CANCOM Inc. ($ 2,500 thousand; previous year: $ 2,500 thousand), Ocean Unified Communications Ltd (£ 2,000 thousand; previous year: £ 0 thousand), CANCOM UK Ltd. (£ 5,500 thousand, previous year: £ 0 thousand) and a total guarantee (EUR 200 thousand; previous year: EUR 200 thousand) for the companies CANCOM GmbH, CANCOM physical infrastructure GmbH and CANCOM ICT Service GmbH (legal successor to CANCOM SCS GmbH and CANCOM ICP GmbH).

In 2014, CANCOM SE, on behalf of CANCOM Managed Services GmbH (formerly CANCOM Pironet AG & Co.), took over a letter of comfort for EUR 4,500 thousand as part of a major customer project, and in 2019, on behalf of Cancom on line BVBA, a letter of comfort for EUR 5,400 thousand as part of a major customer project. Due to the positive progress of the project and the good financial situation of CANCOM Managed Services GmbH (formerly CANCOM Pironet AG & Co. KG) and Cancom on line BVBA, the Company does not currently expect to be called upon.

Contingent liabilities in the form of joint and several liability for guarantee credits and other loans amounted to EUR 7,202 thousand (previous year: EUR 6,125 thousand) on the balance sheet date. The guarantee credits and other loans have been entered into in full in favor of affiliated companies.

CANCOM SE enters into contingent liabilities only after careful consideration of the risks involved and, as a matter of principle, only in connection with its own business activities or those of affiliated companies. In the course of making use of the exemption provision under section 264 (3) of the German Commercial Code (HGB), declarations of assumption of liability were issued for the subsidiaries CANCOM Managed Services GmbH and CANCOM on line GmbH, according to which CANCOM SE is liable in the following financial year for obligations entered into up to the balance sheet date. On the basis of a continuous evaluation of the risk situation of the contingent liabilities entered into, and taking into account the knowledge gained by the time of preparation, CANCOM SE currently assumes that the obligations underlying the contingent liabilities can be met by the respective principal debtors. CANCOM SE therefore considers the risk of a claim being made against all the contingent liabilities listed to be unlikely.

3. Management Board and Supervisory Board

The following persons were appointed as members of the Management Board during the reporting period:

- Mr Thomas Volk, Dipl.-Informatiker, Inning (until January 31, 2020) - Chairman - (until January 31, 2020);
- Rudolf Hotter, Dipl.-Betriebswirt, Roßhaupten - Chairman - (from February 1, 2020);
- Mr Thomas Stark, Dipl.-Wirtsch.-Ing., Wittislingen.

All members of the Management Board are authorized to represent the company together with another member of the Management Board or together with an authorized signatory.

The following members of the Management Board are members of supervisory boards or comparable domestic or foreign supervisory bodies of commercial enterprises that must be formed by law:

Mr Thomas Volk in:
- Polecat Intelligence Ltd, Ireland (Chair);
- tyntec Group Ltd, Great Britain (Chairman);
- Unify Square, USA;
- CANCOM GmbH (Group mandate, until 31 January 2020);
- CANCOM ICT Service GmbH (Group mandate, until January 31, 2020).

Mr Rudolf Hotter in:
- CANCOM Managed Services GmbH (formerly: Pironet AG) (Group mandate, from February 1, 2020);
- CANCOM ICT Service GmbH (Group mandate, Chairman);
- CANCOM GmbH (Group mandate, Chairman, until June 30, 2019).

Mr Thomas Stark in:
- AL-KO Kober SE.

The following were appointed as members of the Supervisory Board during the reporting period:

- Dr. Lothar Koniarski, Dipl.-Kaufmann, Managing Director of Elber GmbH, Regensburg - Chairman -;

- Mr. Uwe Kemm, independent consultant for organization, sales and marketing (until June 26, 2019), - Deputy Chairman - (until June 26, 2019);

- Mr. Hans-Ulrich Holdenried, Dipl.- Kaufmann, independent management consultant (from June 26, 2019, until February 5, 2020);

- Mrs. Regina Weinmann, Dipl.-Kauffrau, Managing Director of ABCON Vermögensverwaltung GmbH, Munich, and Inter-Connect Holding GmbH (formerly Inter-Connect GmbH), Munich (until December 31, 2019);

- Mrs. Marlies Terock, businesswoman, independent management consultant in the field of information technology (until June 26, 2019);

- Mr. Martin Wild, Chief Innovation Officer of MediaMarktSaturn Retail Group, Ingolstadt;

- Mr. Stefan Kober (from February 11, 2019), businessman, investor and member of the supervisory boards of various companies - Deputy Chairman - (from June 26, 2019);

- Prof. Dr. Isabell M. Welpe, Professor and holder of the Chair of Strategy and Organization at the Technical University of Munich, Munich (from June 26, 2019)

The following members of the Supervisory Board are members of other statutory supervisory boards or comparable domestic or foreign supervisory bodies of commercial enterprises:

Dr. Lothar Koniarski:
- SBF AG, Leipzig (Chairman of the Supervisory Board);
- DV Immobiliengruppe, Regensburg (chair of the advisory board);
- Alfmeier Präzisions SE, Treuchtlingen (Member of the Board of Directors);
- Mutares AG, Munich (member of the Supervisory Board).

Mr. Uwe Kemm:
- PRIMEPULSE SE, Munich, (Member of the Board of Directors).

Mr. Hans-Ulrich Holdenried:
- Infineon Technologies AG, Neubiberg (Member of the Supervisory Board);
- Bridge imp GmbH, Grünwald (member of the advisory board).

Mr. Martin Wild:
- Digitales Gründerzentrum der Region Ingolstadt GmbH (Member of the Supervisory Board);
- Artificial Intelligence Network Ingolstadt GmbH, Ingolstadt (Member of the Supervisory Board).

Prof. Dr. Isabell M. Welpe:
- Deloitte Deutschland GmbH Wirtschaftsprüfungsgesellschaft, Düsseldorf (member of the Supervisory Board).

Mr Stefan Kober:
- AL-KO Kober SE, Kötz (Chairman of the Supervisory Board);
- STEMMER IMAGING AG, Puchheim (Member of the Supervisory Board);
- KATEK SE, Munich (Member of the Supervisory Board).

4. Number of employees

On average over the year, the company had 102 employees (previous year: 95) in the Central Services functional area, including part-time employees, but excluding trainees, interns and members of the Management Board.

5. Auditor's feesr

The disclosures required by section 285 no. 17 of the German Commercial Code (HGB) are omitted because they are included in the consolidated financial statements prepared by CANCOM SE.

6. Declaration on the Corporate Governance Code

In accordance with Section 161 (1) of the German Stock Corporation Act (AktG), the Management Board and Supervisory Board issued a joint declaration of compliance with the recommendations of the German Corporate Governance Code, which was published. This declaration is permanently available to the public on the company's website.

7. Total remuneration Management Board and Supervisory Board

The total remuneration of the Management Board members is divided into fixed and variable components. Payment of the variable components is linked to fixed performance targets. The Management Board members were granted stock options in 2018.

The total remuneration of the Management Board in the year under review amounted to EUR 3,165 thousand (previous year: EUR 6,487 thousand). With regard to the full disclosure requirements pursuant to Section 285 No. 9a sentences 5 to 8 of the German Commercial Code (HGB), we refer to our comments in the remuneration report as part of the management report.

The total remuneration of the Supervisory Board in the year under review amounted to EUR 343 thousand (previous year: EUR 337 thousand).

8. Information on investments in the capital of CANCOM SE

As of December 31, 2019, the Company had the following information on shareholdings subject to disclosure requirements pursuant to sections 33 et seq. WpHG:

The Ministry of Finance of the State of Norway, Oslo, Norway, notified CANCOM SE on behalf of the State of Norway on December 5, 2019 that its share of voting rights in CANCOM SE directly or indirectly held by it exceeded the threshold of 3 percent of the voting rights on December 4, 2019, and amounted to 4.82 percent (equivalent to 1,688,002 voting rights) on that date. Due to additional voting rights resulting from financial instruments, the total share of voting rights held on the same day was 4.94 percent (equivalent to 1,731,167 voting rights).

BlackRock Inc, Wilmington, DE, USA, informed CANCOM SE on September 2, 2019 that its share of voting rights in CANCOM SE exceeded the threshold of 3 percent on August 28, 2019, directly or indirectly, and amounted to 3.31 percent (equivalent to 1,159,395 voting rights) on that date. Due to additional voting rights resulting from financial instruments, the total percentage of voting rights held on the same day was 3.32 percent (equivalent to 1,162,161 voting rights).

SMALLCAP World Fund, Inc, Lutherville - Timonium, MD, USA, notified CANCOM SE on June 5, 2019, that its share of voting rights in CANCOM SE directly or indirectly held by SMALLCAP World Fund, Inc, Lutherville - Timonium, MD, USA, on June 3, 2019, exceeded the threshold of 5 percent of the voting rights and amounted to 5.06 percent (equivalent to 1,772,553 voting rights) on that date.

Capital Group Companies, Inc., Los Angeles, California, USA, informed CANCOM SE on April 15, 2019, that its share of voting rights in CANCOM SE, directly or indirectly held by SMALLCAP World Fund, Inc. exceeded the 5 percent threshold on April 11, 2019, and amounted to 5.06 percent (equivalent to 1,771,649 voting rights) on that date.

BNP Paribas Asset Management France S.A.S., Paris, France, notified CANCOM SE on November 29, 2018, that its share of the voting rights in CANCOM SE, directly or indirectly held, exceeded the threshold of 3 percent of the voting rights on November 26, 2018, and amounted to 3.02 percent (equivalent to 1,057,209 voting rights) on that date.

Allianz Global Investors GmbH, Frankfurt, Germany, informed us on August 3, 2018, that its share of voting rights in CANCOM SE, directly or indirectly held, exceeded the 5 percent threshold on August 1, 2018, and amounted to 5.02 percent (equivalent to 1,760,793 voting rights) on that date.

9. Supplementary report

On January 8, 2020, CANCOM announced that Mr. Thomas Volk, Chief Executive Officer and Chairman of the Executive Board of CANCOM SE since October 2018, will leave the company on January 31, 2020. With effect from February 1, 2020, the Supervisory Board of CANCOM SE has appointed Rudolf Hotter, a long-standing member of the Executive Board, as the new Chairman of the Executive Board of CANCOM SE. In addition, the Supervisory Board has decided to allocate the tasks assigned to Mr. Thomas Volk after his departure from the Company to the two Executive Board members Rudolf Hotter and Thomas Stark until further notice.

After the end of the 2019 financial year, the outbreak and spread of the corona virus gave rise to a single event which could have a significant impact on the future earnings, financial position and net assets of CANCOM SE. Possible financial effects and risks may arise from economic developments in general and from the development of the IT market in particular, as well as from bad debt risks. Accordingly, this event was taken into account in the Forecast Report and the Risk Report of the Combined Management Report of CANCOM SE and the CANCOM Group. No reliable information was yet available on the concrete effects of the spread of the corona virus and the associated protective measures on the earnings, financial position and net assets of CANCOM SE, either positive or negative.

10. Proposal for the appropriation of the result

The Board of Management decides to propose to the Supervisory Board and to the Annual General Meeting that the balance sheet profit for the 2019 financial year of € 72,898,276.51 (previous year: € 48,102,451.14) be used to pay a dividend of € 0.50 (previous year: € 0.50) per eligible share and that the balance sheet profit remaining after the distribution be transferred to other revenue reserves.

11. Parent company

CANCOM SE, Munich, is the company that prepares the consolidated financial statements. The consolidated financial statements of CANCOM SE are available on its website and can be viewed in the electronic Federal Gazette.

12. Responsibility statement by the legal representatives

To the best of our knowledge, and in accordance with the applicable reporting principles, the financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company, and the management report of CANCOM SE includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal opportunities and risks associated with the expected development of the Company.

Munic, April 29, 2020

The Executive Board of CANCOM SE

Rudolf Hotter	Thomas Stark
CEO	CFO

Statement of stockholdings

Name and registered seat of company	Share in capital (in %)	Equity as of Dec. 31, 2019 (in T€) 3	Net income 2019 (in T€)*3
Shareholdings over 20			
1. CANCOM GmbH, Jettingen-Scheppach	100.00	52,792	1001 *1
2. CANCOM (Switzerland) AG, Caslano, Switzerland	100.00 A)	0	0
3. CANCOM Computersysteme GmbH, Graz, Austria	100.00 A)	3,416	1,028
4. CANCOM a+d IT solutions GmbH, Perchtoldsdorf, Austria	100.00 B)	3,835	2,000
5. CANCOM ICT Service GmbH, Munich	100.00	3,893	214 *1
6. CANCOM Managed Services GmbH, Munich (formerly Pironet AG, Cologne)	100.00	41,968	10,926 *2
7. CANCOM on line GmbH, Berlin	100.00	16,061	9,301
8. Cancom on line BVBA, Elsene, Belgium	100.00	2,660	2,231
9. CANCOM physical infrastructure GmbH, Jettingen-Scheppach	100.00	1,184	-48
10. CANCOM Financial Services GmbH, Jettingen-Scheppach	100.00	93	-1
11. CANCOM VVM GmbH (formerly CANCOM Managed Services GmbH), Munich	100.00	52	-2
12. CANCOM, Inc., Palo Alto, USA	100.00	4,850	-613
13. HPM Incorporated, Pleasanton, USA	100.00 C)	7,826	2,469
14. CANCOM LTD, London, Great Britain	87.99	28,254	6,193
15. CANCOM UK Holdings Limited (formerly CANCOM UK LTD), London, United Kingdom	100.00 D)	33,991	5,633
16. CANCOM UK TOG Limited (formerly The Organised Group Ltd), Wisborough Green, United Kingdom	100.00 E)	11,010	3,359
17. CANCOM UK Limited (formerly Organised Computer Systems Ltd), Wisborough Green, United Kingdom	100.00 G)	10,055	1,940
18. CANCOM UK Managed Services Limited (formerly OCSL Managed Services Ltd), Wisborough Green, Großbritannien	100.00 H)	6,521	3,186
19. CANCOM UK Professional Services Limited (formerly OCSL Project Services Ltd), Wisborough Green, Großbritannien	100.00 H)	-729	417
20. M.H.C. Consulting Services Ltd, Wisborough Green, Großbritannien	100.00 I)	2,589	509
21. OCSL ITO Limited, Wisborough Green, United Kingdom	100.00 H)	0	0
22. OCSL Employee Services LLP, Wisborough Green, Großbritannien	100.00 H)	1,818	1,131
23. OCSL Property LLP, Wisborough Green, United Kingdom	100.00 H)	1,540	120
24. Novosco Group Limited, Belfast, United Kingdom	100.00 D)	650	0 *4
25. Novosco Ltd, Belfast, United Kingdom	100.00 J)	33,337	1,961 *4
26. Novosco Limited, Dublin, Ireland	100.00 J)	939	186 *4
27. CANCOM OCEAN LTD, London, United Kingdom	80.02 D)	6,711	1,685
28. Ocean Intelligent Communications Ltd, Weybridge (formerly Tames Dilton), United Kingdom	100.00 F)	6,833	241
29. Ocean Unified Communications Ltd, Weybridge (formerly Tames Dilton), United Kingdom	100.00 K)	3,149	1,033
30. Ocean Network Services Ltd, Weybridge (formerly Tames Dilton), United Kingdom	100.00 K)	28	18
31. CANCOM Slovakia s.r.o. Košice, Slovakia	100.00	144	-61 *5
32. Duana Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG, Mainz	100.00	-	- *6

A) Indirect shareholdings via CANCOM GmbH
B) Indirect shareholdings via CANCOM Computersysteme GmbH
C) Indirect shareholdings via CANCOM Inc.
D) Indirect shareholdings via CANCOM Ltd. CANCOM Ltd holds 100.00 percent of the shares in CANCOM UK Holdings Limited and Novosco Group Limited. CANCOM LTD holds 80.02 percent of the shares in CANCOM Ocean Ltd.
E) Indirect shareholdings via CANCOM UK Holdings Limited. CANCOM UK Holdings Limited holds 100.00 percent of the shares in CANCOM UK TOG Limited.
F) Indirect shareholding via CANCOM Ocean Ltd. 100.00 percent of the shares in Ocean Intelligent Communications Ltd.
G) LLP. CANCOM UK TOG Limited holds 90.00 percent of the shares and OCSL Employee Services LLP holds 10.00 percent of the shares in CANCOM UK Limited.
H) Indirect shareholding via CANCOM UK TOG Limited. CANCOM UK TOG Limited holds 100.00 percent of the shares in CANCOM UK Managed Services Limited, CANCOM UK Professional Services Limited, OCSL ITO Limited, OCSL Employee Services LLP and OCSL Property LLP.
I Indirect shareholding via CANCOM UK Professional Services Limited. CANCOM UK Professional Services Limited holds 100.00 percent of the shares in M.H.C. Consulting Services Ltd.
J) Indirect shareholding via Novosco Group Limited. The Novosco Group Limited holds 100.00 percent of the shares in Novosco Ltd and Novosco Limited respectively.
K) Indirect shareholdings via Ocean Intelligent Communications Ltd. Ocean Intelligent Communications Ltd holds 100.00 percent of the shares in Ocean Unified Communications Ltd and Ocean Network Services Ltd.

*1 Profit transfer agreement with CANCOM SE
*2 Including the result of CANCOM Pironet AG & Co KG until the accrual on June 30, 2019.
*3 Equity as of December 31, 2019 and the net result for 2019 were determined in accordance with the individual IFRS financial statements included in the consolidated financial statements.
*4 The annual result for 2019 relates to the fourth quarter of 2019.
*5 The annual result for 2019 relates to the second half of 2019.
*6 Approved annual financial statement 2019 is not yet available.

Independent Auditor's Report

To CANCOM SE, Munich

Note on the audit of the annual financial statements and the management report

Audit opinions

We have audited the annual financial statements of CANCOM SE, Munich, consisting of the balance sheet as at December 31, 2019 and the income statement for the financial year from January 1 to December 31, 2019, as well as the notes to the financial statements, including the presentation of the accounting policies. We have also audited the management report of CANCOM SE for the financial year from January 1 to December 31, 2019. In accordance with German law, we have not audited the content of the components of the Management Report mentioned in the "Other information" section of our audit opinion.

In our opinion, based on the findings of our audit

- the attached annual financial statements comply in all material respects with German commercial law applicable to corporations and give a true and fair view of the net assets and financial position of the Company as at December 31, 2019 and of its results of operations for the financial year from January 1 to December 31, 2019 in accordance with German principles of proper accounting, and

- On the whole the attached management report provides a suitable understanding of the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and suitably presents the opportunities and risks of future development. Our audit opinion on the management report does not extend to the content of the components of the management report mentioned in the section "Other information".

In accordance with § 322 (3) sentence 1 HGB, we declare that our audit has not led to any objections to the correctness of the annual financial statements and the management report.

Basis for the audit opinions

We conducted our audit of the annual financial statements and the management report in accordance with § 317 HGB and the EU Auditor Regulation (No. 537/2014; in the following "EU-APrVO") in accordance with generally accepted German standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Our responsibility under these rules and principles is described in more detail in the section "Responsibility of the auditor for the audit of the annual financial statements and the management report" in our audit opinion. We are independent of the Company in accordance with European law and German commercial and professional regulations and have fulfilled our other German professional duties in accordance with these requirements. In addition, we declare in accordance with Article 10 (2) (f) EU-APrVO that we have not performed any prohibited non-audit services pursuant to Article 5 (1) EU-APrVO. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the annual financial statements and management report.

Particularly important audit issues in the audit of the annual financial statements

Matters of particular importance are those matters which in our opinion, based on our audit, are most relevant to our audit of the financial statements for the financial year from January 1 to December 31, 2019. These matters have been considered in the context of our audit of the financial statements as a whole and in forming our audit opinion thereon; we do not express a separate opinion on these matters.

The recoverability of shares in affiliated companies

For the accounting and valuation methods applied, please refer to the Notes, Section B.3.

THE RISK TO THE FINANCIAL STATEMENTS

In the annual financial statements of CANCOM SE as of December 31, 2019, shares in affiliated companies in the amount of EUR 261,955 thousand are reported under financial assets. Shares in affiliated companies account for 40.7% of total assets, and therefore have a material impact on the Company's financial position.

Shares in affiliated companies are carried at cost or, in the event of an expected permanent impairment in value, at the lower attributable value. The company determines the fair value of shares in affiliated companies using the capitalized earnings value method.

The cash flows used for the income capitalization approach are based on individual investment¬ plans for the five years following the balance sheet date. The respective capitalization interest rate is derived from the return on a risk-adequate alternative investment. If the¬ fair value is lower than the carrying amount, qualitative and quantitative criteria are used to determine whether the impairment is likely to be permanent.

The impairment assessment, including the calculation of the fair value according to the capitalized earnings value method, is complex and, with regard to the assumptions made, depends to a large extent on estimates and assessments made by the company. This applies, among other things, to the estimation of future cash flows and the determination of capitalization interest rates as well as the assessment of the permanence of the impairment.

The company did not carry out unscheduled depreciation on shares in affiliated companies in the financial year. There is a risk for the annual financial statements that the shares in affiliated companies may not be recoverable.

OUR APPROACH TO THE AUDIT

We conducted our audit in a risk-oriented manner. On the basis of the information obtained in the course of our audit, we assessed whether there were any indications of permanent impairment of shares in affiliated companies. In this case, we have dealt in particular with the forecast of the future sales and earnings development of the individual companies. We first discussed the company-specific planning figures with the persons responsible for planning. On this basis, we compared CANCOM SE's expectations of market development with publicly available information and assessed whether the company-specific planning figures and the underlying assumptions were within an appropriate range. We also satisfied ourselves of the Company's previous forecasting quality by comparing the previous year's plans with the actual results realized and analyzing deviations. We assessed the appropriateness of the assumptions used in determining the discount rate, including the weighted average cost of capital, and evaluated the calculation methodology. We consulted our internal valuation specialists in assessing the valuation methodology, the discount rate and corporate planning.

OUR CONCLUSIONS

The procedure used for the impairment test of shares in affiliated companies is appropriate and in line with the valuation principles. The assumptions, estimates and parameters of the company are appropriate.

Other information

The legal representatives or the Supervisory Board are responsible for other information. The other information comprises the following components of the management report, which have not been audited:

- The separate non-financial report expected to be made available to us after the date of this audit opinion and referred to in the management report,
- the corporate governance statement referred to in the management report, and
- the information contained in the management report that is not related to the management report and is marked as unaudited.

The other information also includes the other parts of the annual report.

The other information does not include the annual financial statements, the audited management report and our associated audit opinion.

Our audit opinion on the financial statements and the management report does not extend to the other information and, accordingly, we do not express an audit opinion or any other form of conclusion on these financial statements or management report.

In connection with our audit, we have a responsibility to read the other information and assess whether the other information

- show material inconsistencies with the annual financial statements, the management report information audited in terms of content or our knowledge gained during the audit, or
- appear to be substantially misrepresented elsewhere.

Responsibility of the legal representatives and the Supervisory Board for the financial statements and the management report

The legal representatives are responsible for preparing the annual financial statements, which comply in all material respects with the German commercial law provisions applicable to corporations, and for ensuring that the annual financial statements give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with German ¬principles of proper ac-counting. Furthermore, the legal representatives are responsible for the internal controls which they have determined, in accordance with German generally accepted accounting principles, to be necessary to enable the preparation of annual financial statements which are free from material misstatements, whether due to fraud or error.

In preparing the financial statements, the legal representatives are responsible for assessing the Company's ability to continue as a going concern. They are also responsible for disclosing any matters relating to the Company's ability to continue as a going concern, where appropriate. Furthermore, they are responsible for preparing the financial statements in accordance with the going concern principle, except where this is precluded by matters of fact or law.

In addition, the legal representatives are responsible for the preparation of the management report, which as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development. Furthermore, the legal representatives are responsible for the precautions and measures (systems) which they have deemed necessary to enable the preparation of a management report in accordance with the applicable German legal regulations and to provide sufficient suitable evidence for the statements made in the management report.

The Supervisory Board is responsible for monitoring the company's accounting process for preparing the annual financial statements and the management report.

Auditor's responsibility for the audit of the annual financial statements and the management report

Our objective is to obtain reasonable assurance as to whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report as a whole provides a suitable understanding of the Company's position and suitably presents the opportunities and risks of future development in accordance with German legal requirements as well as the findings of our audit.

Adequate assurance is a high degree of certainty, but does not guarantee that an audit conducted in accordance with § 317 HGB and the EU-APrVO and in compliance with the generally accepted German auditing ¬standards established by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misrepresentations can result from violations or inaccuracies and are considered material if it could reasonably be expected that they could individually or collectively influence the economic decisions of addressees made on the basis of these financial statements and management report.

During the audit we exercise due discretion and maintain a critical attitude. Beyond that

- we identify and assess the risks of material misstatement of the financial statements and management report, whether due to fraud or error, plan and perform the audit procedures in response to such risks and obtain audit evidence sufficient and appropriate to provide a basis for our audit o-pinion. The risk that material misstatements will not be detected is greater for violations than for in-accuracies, as violations may involve fraudulent collusion, falsification, intentional omissions, misrepresentations, or the invalidation of internal controls.

- we obtain an understanding of the internal control system relevant to the audit of the annual financial statements and of the procedures and measures relevant to the audit of the management re-port in order to plan audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control system.

- we evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- we draw conclusions on the appropriateness of the accounting policies used by the Company's legal representatives as a going concern and, based on the audit evidence obtained, whether there is any material uncertainty related to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are obliged to draw attention in our audit opinion to the related disclosures in the financial statements and management report or, if these disclosures are inappropriate, to modify our respective audit opinion. We draw our conclusions on the basis of the audit evidence obtained up to the date of our audit opinion. However, future events or circumstances may result in the Company being un-able to continue its business operations.

- we assess the overall presentation, structure and content of the annual financial statements, including the disclosures and whether the annual financial statements present the underlying transactions and events in such a way that the annual financial statements give a true and fair view of the net assets, financial position and results of operations of the company in accordance with German -principles of proper accounting.

- We assess the consistency of the management report with the annual financial statements, its compliance with the law and the picture of the company's situation conveyed by it.

- we perform audit procedures on the future-oriented statements in the management report presented by the legal representatives. On the basis of sufficient and appropriate audit evidence, we verify in particular the significant assumptions underlying the forward-looking statements made by the legal representatives and assess the appropriate derivation of the forward-looking statements from these assumptions. We do not express an independent audit opinion on the future-oriented statements and the underlying assumptions. There is a significant unavoidable risk that future events could differ materially from the forward-looking statements.

We discuss with those responsible for monitoring, among other things, the planned scope and timing of the audit as well as significant audit findings, including any deficiencies in the internal control system that we discover during our audit.

We make a declaration to those responsible for monitoring that we have complied with the relevant independence requirements and discuss with them any relationships or other matters that can reasonably be expected to affect our independence and the safeguards put in place to protect it.

Of the matters that we have discussed with those responsible for supervision, we have identified those matters that were most significant in the audit of the financial statements for the current reporting period and are therefore the most significant audit matters. We describe these matters in our audit opinion unless laws or regulations preclude public disclosure of the matters.

Other legal and regulatory requirements

Other information required under Article 10 EU-APrVO

We were elected as auditors by the Annual General Meeting on June 26, 2019. We were commissioned by the Supervisory Board on December 17, 2019. We have been the auditors of the consolidated financial statements of CANCOM SE without interruption since the 2019 financial year.

We declare that the audit opinions contained in this audit report are consistent with the additional report to the Audit Committee pursuant to Article 11 EU-APrVO (audit report).

Responsible auditor

The auditor responsible for the audit is Hans Querfurth.

Augsburg, April 30, 2020

KPMG AG
Wirtschaftsprüfungsgesellschaft

signed. Braun
Auditors

signed. Querfurth
Auditors

Financial calendar of CANCOM SE

2020

June 18, 2020	Interim report as of 31 March
June 30, 2020	Annual General Meeting, Munich
August 13, 2020	Half-yearly financial report
November 12, 2020	Interim announcement as of 30 September
1November 16-18 , 2020	Analyst conference as part of the German Equity Forum, Frankfurt/Main

Subject to change without notice.
The EU Market Abuse Regulation (Art. 17 MAR) requires issuers to provide information with significant potential to influence the share price must be published immediately. It is therefore possible that quarterly or annual results are published on dates other than those specified.

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