



# Q2 2017

INTERIM REPORT AS AT JUNE 30, 2017

**CANCOM**

## Group key figures

### Q2 AT A GLANCE

in Mio. €	Apr. 1 - Jun. 30, 2017	Apr. 1 - Jun. 30, 2016	Changes
Sales revenues	278.7	257.5	8.2%
Gross profit	75.0	71.6	4.7%
EBITDA	18.7	17.0	10.0%
EBITDA margin in %	6.7%	6.6%	0.1%
EBITA	15.1	13.6	11.0%
EBIT	13.6	11.6	17.2%
Earnings per share (basic) in €	0.55 €	0.45 €	22.2%

### FIRST HALF

in € million	Jan. 1 - Jun. 30, 2017	Jan. 1 - Jun. 30, 2016	Changes
Sales revenues	535.9	492.2	8.9%
Gross profit	150.3	142.9	5.2%
EBITDA	35.4	33.1	6.9%
EBITDA margin in %	6.6%	6.7%	-0.1%
EBITA	28.2	26.6	6.0%
EBIT	25.2	22.6	11.5%
EBT	24.2	20.9	15.8%
Earnings per share (basic) in €	1.01	0.88	14.8%
Average number of shares (in 1,000) (basic)	16,368	15,852	3.3%
Employees as at June 30	2,716	2,752	-1.3%

in € million	Jun. 30, 2017	Dec. 31, 2016	Changes
Balance sheet	516.3	537.8	-4.0%
Equity	292.3	285.1	2.5%
Equity ratio in %	56.6%	53.0%	3.6%

#### Revenue CANCOM Group

Jan. 1 - Jun. 30, 2016 and Jan. 1 - Jun. 30, 2017 (in € million)

2016	492.2
2017	535.9

#### Gross profit CANCOM Group

Jan. 1 - Jun. 30, 2016 and Jan. 1 - Jun. 30, 2017 (in € million)

2016	142.9
2017	150.3

#### EBITDA CANCOM Group

Jan. 1 - Jun. 30, 2016 and Jan. 1 - Jun. 30, 2017 (in € million)

2016	33.1
2017	35.4

#### Earnings per share CANCOM Group

Jan. 1 - Jun. 30, 2016 and Jan. 1 - Jun. 30, 2017 (in Euro)

2016	0.88
2017	1.01

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**Dear Stockholders**

In the 25 years since it was established, the CANCOM Group has seen many changes in the IT market. It has adapted well, not least because we have continuously aligned our business strategy to anticipated developments and trends. This ability to cope with change is what has given the enterprise its current strength and the market position it now enjoys.

In our 25th anniversary year, therefore, we have every reason to look back with pride, and forward with curiosity. In this era of digitization, the IT market and the entire business world are undergoing more fundamental change than ever before, and the demands placed on IT partners by their corporate clients are changing radically. Clients expect sound strategic advice on the design of future-proof IT architecture which is also capable, for instance, of mapping the digital transformation of production processes and value chains, and taking advantage of the wealth of opportunities offered by technologies such as cloud computing, big data and analytics. Many clients are even prepared to replace their entire IT landscape. For CANCOM this could result in more high-quality consulting and services business, which means profitable recurring revenue. We are therefore steadily continuing to develop as a managed services provider and a trusted advisor to our clients.

With sales revenues exceeding the billion-euro mark in the fiscal year 2016, the CANCOM Group has reached an important milestone in its continued expansion. With our structures adapted accordingly, we aim to become an even stronger presence in the market, pursuing our objectives while keeping in mind the CANCOM vision of becoming the leading digital transformation partner.

We are grateful for your support for CANCOM SE on its path to continued success.

Sincerely yours



Klaus Weinmann

# Consolidated interim management report

## 1. Overview of the Group

The CANCOM Group is one of the leading providers of information technology (IT) infrastructure and services in Germany and Austria. With its decentralized distribution and services structure, as well as central services in areas such as finance, purchasing, warehousing, logistics, marketing, product management and human resources, the Group is well placed for sustainable, profitable growth. The Group has locations in Germany, Austria, Switzerland and the U.S.A. in addition to a representative office in Brussels, Belgium.

### Structure of the CANCOM Group

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

### Areas of business

The IT solutions operating segment of the CANCOM Group offers comprehensive support for IT infrastructure and applications. The range of services offered includes IT strategy consulting, project planning and implementation, system integration, IT procurement via e-procurement services or as part of a project, in addition to professional IT services and support.

The cloud solutions operating segment comprises the CANCOM Group's cloud and shared managed services business, including sales revenues from cloud hardware, software and services allocated to the projects. The service offer includes analysis, advice, delivery, implementation and services, thus offering clients the necessary orientation and support for their conversion from corporate IT systems to cloud computing. As part of its range of services, the CANCOM Group can provide scalable cloud and managed services – in particular shared managed services – to run entire IT departments, or parts of them, for its clients.

Distribution costs allocated to cloud distribution are included in the segment. The cloud business also benefits from synergies with CANCOM's central sales and marketing department, the costs of which are allocated to the IT solutions reportable segment.

Some items in the segments were reclassified as at the reporting date of December 31, 2016. The merger of two Group companies during the year necessitated structural adjustments and reorganization in terms of the companies and regions included in the segments. This resulted in changes in the areas of responsibility and the splitting of entire departments, which required a reallocation of the new structure to the segments. The quarterly figures for the fiscal year 2016 were adjusted to reflect these changes.

### Focus of activities and sales markets

CANCOM is one of the largest independent integrated IT systems providers in Germany. It provides IT architecture, systems integration and managed services. As a provider of integrated services, it mainly focuses on IT services, in addition to distributing hardware and software. The IT services offered include IT consulting, the design of IT architectures and landscapes, and the design, integration and operation of IT infrastructure and systems. CANCOM can manage individual partial assignments or run a company's entire IT systems.

The CANCOM's client base therefore mainly includes commercial end-users, from small and medium sized enterprises to large companies and groups, as well as public-sector clients. Geographically, the CANCOM Group operates primarily in Germany and Austria as well as in the U.S.A.

### **Explanation of the control system used within the Group**

To control and monitor the performance of the individual subsidiaries and the reporting segments, CANCOM SE analyzes their monthly figures for, among other things, sales revenues, gross profit, operating expenditure and operating profit, and compares the actual figures with the targets. The key performance indicators are gross profit, EBITDA and operating profit (EBIT). The latter offers a detailed picture of the performance of the enterprise as a whole, as it enables management to draw conclusions about the operational business performance and make transparent comparisons, particularly over a period of time. Any significant deviations identified in the key figures call for the preparation of a forecast. For the purpose of management control, the company also regularly looks at external indicators such as inflation and interest rates, and IT sector and general economic performance and forecasts. It also takes into account any early warning data or indicators generated by the Group-wide risk management system. Further details can be found in the risks and opportunities report.

### **Research and development activities**

Innovation is very important for economic momentum and growth. As it is a service and trading enterprise, CANCOM does not conduct any research activities. Its development work focuses mainly on software solutions, applications or architecture in IT growth segments such as cloud computing, virtualization, mobile solutions, IT security and shared managed services. Development work is limited in scope and is mainly used for the Group's own purposes. Cloud computing benefits the entire enterprise, as it offers huge advantages for the IT departments, management and staff. Above all, users benefit from the central provision of applications and being able to access company data at all times, in any location and on any device. During the period under review, further development work was carried out on the Group's own IT architecture platform, CANCOM AHP Enterprise Cloud, in addition to customization of in-house software used by the company, mainly in connection with the Group-wide introduction of the enterprise resource planning (ERP) system of SAP.

## **2. Economic report**

### **The general economic situation and the performance of the IT sector**

In the upper echelons of the German business world, the mood remains very positive: According to the Ifo Institute for Economic Research, based in Munich, Germany, the Ifo Business Climate Index rose from 114.6 points to a record level of 115.1 points in June. DIW Berlin (the German Institute of Economic Research) reports that average economic output in Germany in the months of April, May and June is likely to be 0.6 percent higher than the average for the first three months of this year. The German IT market is also likely to have benefited from this positive development.

### **Impact on the CANCOM Group's business performance**

On the back of continued strong demand from its clients, CANCOM SE's figures for the first half of the current fiscal year are positive. The growth extends to all areas and is thus visible in the Group as a whole as well as in both operating segments.

### **Significant events in the second quarter and after the end of the reporting period**

CANCOM SE has acquired all the shares in antauris AG, based in Hamburg, Germany. The transaction is recorded in a purchase and sale agreement dated May 30, 2017. antauris AG operates throughout Germany as an IT systems and consulting company, service partner and provider of enterprise applications for data centers. The acquisition expands the CANCOM Group's client base and its business activities in northern Germany. At the time the contract was signed, the completion of the transaction was subject to the approval of the competition authorities involved. For information on first-time consolidation, please see our remarks on page 20 of the notes to the interim financial statements.

CANCOM SE has acquired all the shares of synaix Gesellschaft für angewandte Informations-Technologien mbH and of synaix Service GmbH (jointly the synaix Group), based in Aachen, Germany. The acquisition is recorded in a notarized purchase and sale agreement dated June 22, 2017. The synaix Group is an IT service provider with an integrated portfolio of solutions for the digitization of business processes (digital transformation services). The acquisition adds complementary solutions expertise to the CANCOM Group and broadens its client base. This will enable the Group to expand further its IT as a service (ItaaS) business and its cloud and managed services, and to consolidate its position as a digital transformation partner. At the time the contract was signed, the completion of the transaction was subject to the approval of the competition authorities concerned. For information on first-time consolidation, please see our remarks on page 21 of the notes to the interim financial statements.

**Employees**

As at June 30, 2017, the CANCOM Group employed 2,716 people (2016: 2,752).

<b>The employees worked in the following areas</b> (as at June 30):	
Professional services:	1,712
Sales and distribution:	579
Central services:	425

**The staff expenses for the first six months were as follows (in € '000):**

	<b>Jan. 1 - Jun. 30, 2017 €'000</b>	<b>Jan. 1 - Jun. 30, 2016 €'000</b>
Wages and salaries	81,199	76,969
Social contributions	12,953	12,393
Pension expenses	260	190
<b>Total</b>	<b>94,412</b>	<b>89,552</b>

**3. Earnings, financial and assets position of the CANCOM Group**

**a) Earnings position**

The CANCOM Group recorded a growth in its sales revenues and profits in the first six months of 2017 in comparison with the same period of 2016. Consolidated sales revenues were up 8.9 percent, from € 492.2 million to € 535.9 million.

<b>CANCOM Group sales revenues:</b> year-on-year comparison of figures for the first six months of the year (in € million)	
2016	492.2
2017	535.9

In Germany, sales revenues were up by 7.6 percent, from € 435.8 million to € 468.8 million. In international business, the Group's sales revenues increased by 19.2 percent, from € 56.3 million to € 67.1 million.

In the IT solutions segment, sales revenues were up by 9.8 percent, from 415.4 million in the previous year to € 456.2 million in 2017. In the cloud solutions segment, sales revenues also charted growth of 3.9 percent, from € 76.7 million to € 79.7 million.

The gross profit of the CANCOM Group for the first six months of 2017 was 5.2 percent higher than in the same period of the previous year. It rose from € 142.9 million to € 150.3 million. The gross profit margin was 28.0 percent in comparison to 29.0 percent in the same period of 2016.

<b>CANCOM Group gross profit:</b> year-on-year comparison of figures for the first six months of the year (in € million)	
2016	142.9
2017	150.3

Staff expenses increased from € 89.6 million at the end of the first six months of 2016 to € 94.4 million as at June 30, 2017. This reflects the stepping-up of Group activities in the areas of high-level consulting and services.

At € 35.4 million, consolidated EBITDA for the first six months of the fiscal year 2017 was up on the year-on-year figure of € 33.1 million. This resulted in an EBITDA margin of 6.6 percent compared to 6.7 percent in the same period of 2016.

<b>CANCOM Group EBITDA:</b> year-on-year comparison of figures for the first six months of the year (in € million)	
2016	33.1
2017	35.4

Consolidated earnings before interest and tax (EBIT) increased by 11.5 percent from € 22.6 million in the first half of 2016 to € 25.2 million in the period under review.

<b>CANCOM Group EBIT:</b> year-on-year comparison of figures for the first six months of the year (in € million)	
2016	22.6
2017	25.2

The first-half profit after taxes and deduction of minority interests was € 16.5 million, up from € 13.9 million at the end of the first six months of 2016. Earnings per share for the period January to June 2017 therefore amounted to € 1.01, compared to € 0.88 in the same period of 2016.

**Order position**

In the cloud solutions segment, and large parts of the IT solutions segment, orders are often placed over long periods. For this reason the reporting date figures do not give a good indication of the order situation, and they are therefore not published. At the time this management report was written, capacity utilization among our consultants was good in both segments.

**Explanations of individual items on the statement of income**

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

**b) Financial and assets position**

**Objectives of financial management**

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

**Notes to the capital structure**

On the assets side of the balance sheet, there was a decrease in current assets from € 370.8 million to € 342.0 million between December 31, 2016 and June 30, 2017. Cash and cash equivalents fell from € 63.6 million to € 26.4 million in the same period. Trade accounts receivable increased from € 182.4 million to € 185.5 million. Inventories rose from € 22.5 million to € 26.4 million.

At € 174.3 million as at June 30, 2017, non-current assets increased in comparison with € 167.0 million as at December 31, 2016. Tangible assets went up from € 44.1 million to 50.0 million, on account of datacenter investments as well as the structural expansions to the logistics and services factory at the company's location in Jettingen-Scheppach, Germany.

On the liabilities side of the balance sheet, there was a reduction in current liabilities from € 188.5 million as at December 31, 2016 to € 162.4 million at the end of the first six months of 2017. Trade accounts payable were down from € 127.0 million to € 108.6 million.

Non-current liabilities, consisting of debt with a residual term of at least one year, also decreased slightly. They fell from € 64.2 million as at December 31, 2016 to € 61.6 million as at June 30, 2017.

The nominal equity increased to € 292.3 million, compared to € 285.1 million as at December 31, 2016. The equity ratio stood at 56.6 percent as at June 30, 2017 (December, 31, 2016: 53.0 percent). Total assets amounted to € 516.3 million as at the end of the first six months of the current year in comparison with the figure of € 537.8 million as at December 31, 2016.

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



**Notes to the statement of cash flows**

The cash flow from ordinary activities stood at minus € 4.2 million as at June 30, 2017 in comparison with a positive cash flow of € 2.7 million in the same period of 2016.

There was a negative cash flow of € 21.3 million from investing activities, in comparison with a negative cash flow of € 43.1 million in the same period of 2016. As at June 30, 2017, a negative cash flow of € 10.5 million was recorded from financing activities. At the end of the first six months of 2016 the cash flow stood at plus € 60.5 million.

In total, this resulted in cash and cash equivalents of € 26.4 million in the first six months of the year, compared to € 105.8 million in the same period of the year before.

**4. Stock ownership of the Boards as at June 30, 2017**

<b>Total number of shares:</b>	<b>16,367,531</b>	<b>100%</b>
<b>Executive Board</b>		
Klaus Weinmann	10,000	0.1 %
<b>Supervisory Board</b>		
Dominik Eberle	10,000	0.1 %

**5. Risks of future development**

There have been no major changes in the risks of future development at CANCOM since the start of the current fiscal year. Details of the risks can be found in the annual report for 2016, starting on page 32. The annual report can be downloaded from <https://www.cancom.com/reports> or obtained in printed form, free of charge, from the company.

**6. Opportunities for future development**

There have been no major changes in the opportunities for future development at CANCOM since the start of the current fiscal year. Details of the opportunities can be found in the annual report for 2016, starting on page 42. The annual report can be downloaded from <https://www.cancom.com/reports> or obtained free of charge from the company.

**7. Forecast**

The German economy is likely to continue to grow significantly, although the strong growth of the first half of the year may ease off somewhat. DIW Berlin’s economic barometer for the month of July indicates an index level of 103 points for the third quarter, slightly lower than the 104 points in the second quarter. This puts the growth in economic output in the third quarter at 0.5 percent, slightly lower than in the second quarter.

The leading institutes’ growth forecasts for gross domestic product in 2017 currently range from 1.0 percent to as much as 1.8 percent.

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

This is also reflected by the forecast of Germany’s digital association Bitkom, according to which the German IT market should grow by 2.7 percent to € 86.0 billion in 2017. The main reason for the somewhat lower forecast for growth compared with 2016, apart from the slightly weaker growth of the economy overall, is an expectation of weaker trading in IT hardware. The software segment should see the strongest growth, at 6.3 percent, while IT services revenues should rise by 2.3 percent. IT hardware revenues are expected to remain almost unchanged, with growth of just 0.1 percent.

### Anticipated performance of the CANCOM Group

Thanks to its proven expertise and outstanding market position in the IT growth areas referred to above – cloud computing, big data & analytics, mobility, security and shared managed services – CANCOM aims to continue growing its two operating segments, both organically and through acquisitions, at a faster rate than the German IT market, so continuously expanding its market share. To achieve this objective, CANCOM decided at an early stage to gear its business policy to the IT growth areas, designing its sales and services structure around them while focusing on the expansion of the higher-end services and consulting business. With its integrated portfolio of services across all areas of IT, and its flexibility in providing individually tailored packages for its clients, CANCOM has major client advantages to enable it to penetrate the market even further and more comprehensively. In addition, the increasing complexity of IT is stretching smaller integrated systems providers to the limits of their capabilities and as such could result in the CANCOM Group gaining new clients and orders – with positive impacts on the IT solutions and cloud solutions business.

In the past year, the Executive Board set the course for further growth and good performance in the future. CANCOM focuses on profitable business in the traditional IT environment and withdraws without hesitation from low-growth, declining areas or those that the Executive board considers not to be sustainable. The IT solutions and cloud solutions operating segments benefit from each other's business, due to the interactions between the CANCOM units across the Group and the fact that the provision of integrated solutions for clients usually requires input from both areas.

CANCOM has significantly expanded its market presence and improved its client proximity in the German-speaking area (i.e. Germany, Austria and parts of Switzerland). The Group is represented all over Germany and Austria by its many service and consulting locations. It also has subsidiaries in Switzerland and the U.S.A. as well as a representative office in Brussels, Belgium. CANCOM intends to continue strengthening its market position, partly through selective acquisitions, while taking advantage of market and cost synergies. The highly fragmented service provider landscape, particularly in the IT environment in the German-speaking area, continues to offer favorable conditions for CANCOM to act as a market consolidator.

CANCOM is planning to implement the SAP ERP system throughout the Group. Owing to the complexity and scale of the project, there may be delays in implementing the project. Additionally, the changeover to the new system may have a negative impact on business performance in the short term if, for instance, business organization and governance are affected, processes do not take place correctly, resources are misused or sales activities are held in check. To avoid negative impacts, particularly on the traditionally strong year-end business, the system changeover planned for 2017 has been postponed until the fiscal year 2018.

In the fiscal year 2017, significant investments will be made in the construction of extensions to the logistics and services factory at the company's location in Jettingen-Scheppach, Germany.

Against the background of the Group's positive performance in fiscal 2016 and in view of its favorable positioning in the growing markets of cloud computing and associated trends in the IT market as a whole, the Executive Board expects further growth and an improvement in sales revenues and profits if the demand for IT products remains steady.

Currently unforeseen events could influence the anticipated performance of both the Group as a whole and of the reportable segments, IT solutions and cloud solutions. Even foreseeable events such as the Group-wide implementation of the SAP ERP system and the connected system migrations could have negative impacts.

The Executive Board currently expects a further increase in the sales revenues and gross profit of the Group as a whole in the fiscal year 2017. The growth of the CANCOM Group should continue to exceed the growth of the German IT market. The Executive Board expects the CANCOM Group's EBITDA to increase further in the fiscal year 2017, in line with the organic growth. For information concerning the anticipated performance of the Group and its operating segments in 2017, please see the forecast section of the annual report for 2016, starting on page 50.

## 8. Management responsibility statement

We confirm that, to the best of our knowledge, the consolidated interim financial statements, prepared in accordance with the applicable principles of financial reporting for interim statements, give a true and fair view of the assets, liabilities, financial position and income of the Group, and that the consolidated interim management report gives a true and fair view of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks of the anticipated development of the Group for the remaining six months of the fiscal year.

Munich, Germany, August 2017

CANCOM SE

The Executive Board

## Disclaimer regarding forward-looking statements

This document has not been audited. It contains statements relating to our future business and financial performance and to future events or developments affecting CANCOM that may constitute forward-looking statements. These statements are based on the current expectations, assumptions and estimates of the Executive Board and other information currently available to the management, of which many are beyond CANCOM's control. These statements can be identified by phrases and words such as 'expect', 'want', 'assume', 'believe', 'endeavor', 'estimate', 'presume', 'calculate', 'intend', 'could', 'plan', 'should', 'will', 'forecast' or similar words.

All statements with the exception of facts regarding the past are forward-looking statements. Such statements include expectations regarding the availability of products and services, the financial and earnings position, the business strategy and the Executive Board's plans for future operating activities, economic performance and all statements regarding assumptions. Although we take the greatest of care when making these statements, we cannot guarantee their correctness, especially in our forecast. Various known and unknown risks, uncertainties and other factors may lead to the actual events deviating significantly from those contained in the forward-looking statements. The following influencing factors are, among others, relevant in this respect: external political influences, changes in the general economic and business situation; changes in the competitive position and situation, for instance by the emergence of new competitors, new products and services or new technologies; changes in the investment behavior of target client groups etc. and changes to the business strategy.

If one or more of these risks or uncertainties should materialize, or if the underlying expectations are not fulfilled or assumptions prove incorrect, the actual results, performance or achievements of CANCOM may (either negatively or positively) deviate substantially from those described either explicitly or implicitly in the relevant forward-looking statement. CANCOM cannot guarantee the pertinence, accuracy, completeness or correctness of the information or opinions in this document.

CANCOM does not make any commitment to update its forward-looking statements, nor does it intend to update them or correct them if developments differ from those anticipated. Due to rounding, some of the numbers presented in this document may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures they refer to.

# Consolidated balance sheet (IFRS)

## ASSETS

(in € 000)	Notes	Jun. 30, 2017	Dec. 31, 2016	Jun. 30, 2016
<b>Current assets</b>				
Cash and cash equivalents		26,365	63,590	105,757
Assets held for sale		360	360	0
Trade accounts receivable		185,482	182,433	153,278
Other current financial assets	B.1.	96,955	96,062	39,780
Inventories		26,413	22,524	28,732
Contracts in progress		628	417	856
Prepaid expenses and other current assets	B.2.	5,804	5,377	6,817
<b>Total current assets</b>		<b>342,007</b>	<b>370,763</b>	<b>335,220</b>
<b>Non-current assets</b>				
Property, plant and equipment (tangible assets)		49,950	44,147	42,461
Intangible assets		29,411	28,307	27,818
Goodwill		72,149	73,230	72,514
Long-term financial assets		5,312	795	65
Investments accounted for using the equity method		599	501	530
Loans		1,308	1,912	2,304
Other non-current financial assets		10,292	12,716	6,906
Deferred taxes arising from temporary differences	B.3.	2,764	2,665	2,474
Deferred taxes arising from tax loss carryforward	B.3.	1,351	1,605	2,265
Other assets		1,206	1,157	1,689
<b>Total non-current assets</b>		<b>174,342</b>	<b>167,035</b>	<b>159,026</b>
<b>Total assets</b>		<b>516,349</b>	<b>537,798</b>	<b>494,246</b>

**EQUITY AND LIABILITIES**

(in € 000)	Notes	Jun. 30, 2017	Dec. 31, 2016	Jun. 30, 2016
<b>Current liabilities</b>				
Short-term loans and current portion of long-term loans		797	1,922	6,619
Profit-participation capital and subordinated loans - short-term portion		975	633	411
Trade accounts payable		108,610	127,047	94,713
Prepayments received		5,663	5,349	4,846
Other current financial liabilities	B.4.	6,619	6,425	6,103
Provisions	B.5.	2,854	4,883	3,695
Deferred income		4,090	3,946	3,533
Income tax liabilities		7,993	10,244	5,981
Other current liabilities	B.6.	24,026	27,294	23,571
Liabilities in connection with assets held for sale		771	772	0
<b>Total current liabilities</b>		<b>162,398</b>	<b>188,515</b>	<b>149,472</b>
<b>Non-current liabilities</b>				
Long-term loans		1,683	2,081	2,475
Convertible bonds	B.7.	42,472	41,778	41,099
Profit-participation rights and subordinated loans		3,992	4,457	4,610
Deferred income		2,031	2,316	3,764
Deferred taxes arising from temporary differences	B.8.	6,041	7,550	7,512
Pension provisions		1,986	1,942	1,787
Other non-current financial liabilities	B.9.	721	629	1,591
Other non-current liabilities	B.5.	2,722	3,451	6,762
<b>Total non-current liabilities</b>		<b>61,648</b>	<b>64,204</b>	<b>69,600</b>
<b>Equity</b>				
Capital stock		16,368	16,368	16,368
Capital reserves		173,934	173,935	173,936
Net retained profit/net accumulated loss (incl. revenue reserves)		99,561	91,263	78,233
Equity capital difference due to currency translation and exchange rate differences		411	1,571	934
Non-controlling interests		2,029	1,942	5,703
<b>Total equity</b>		<b>292,303</b>	<b>285,079</b>	<b>275,174</b>
<b>Total equity and liabilities</b>		<b>516,349</b>	<b>537,798</b>	<b>494,246</b>

## CONSOLIDATED STATEMENT OF INCOME

(in € 000)	Notes	Q2		6 months	
		Apr. 1 - Jun. 30, 2017	Apr. 1 - Jun. 30, 2016	Jan. 1 - Jun. 30, 2017	Jan. 1 - Jun. 30, 2016
Sales revenues		278,653	257,487	535,919	492,185
Other operating income	D.1.	276	571	1,029	1,043
Other own work capitalized		377	648	854	1,037
<b>Total revenue</b>		<b>279,306</b>	<b>258,706</b>	<b>537,802</b>	<b>494,265</b>
Cost of purchased materials and services		-204,339	-187,123	-387,460	-351,398
<b>Gross profit</b>		<b>74,967</b>	<b>71,583</b>	<b>150,342</b>	<b>142,867</b>
Human resources expenses	D.2.	-45,945	-44,499	-94,412	-89,552
Amortization and write-downs of intangible assets, and depreciation and write-downs of tangible assets		-5,090	-5,357	-10,253	-10,533
Other operating expenses	D.3.	-10,357	-10,113	-20,515	-20,227
<b>Operating result</b>		<b>13,575</b>	<b>11,614</b>	<b>25,162</b>	<b>22,555</b>
Interest and similar income		220	161	378	315
Interest and other expenses		-779	-822	-1,536	-1,632
Other financial result: income		-1	0	54	0
Other financial result: expenses		0	-2	-2	-231
Share of profit/loss from associated companies accounted for using the equity method		17	19	98	77
Currency translation gains/losses		-57	15	-1	-154
<b>Earnings before taxes</b>		<b>12,975</b>	<b>10,985</b>	<b>24,153</b>	<b>20,930</b>
Income taxes	D.4.	-3,868	-3,555	-7,553	-6,838
<b>Earnings after taxes from continuing operations</b>		<b>9,107</b>	<b>7,430</b>	<b>16,600</b>	<b>14,092</b>
Earnings from discontinued operations		-1	0	-3	0
<b>Net income/(loss) for the period</b>		<b>9,106</b>	<b>7,430</b>	<b>16,597</b>	<b>14,092</b>
thereof attributable to the stockholders of the parent		9,033	7,321	16,480	13,883
thereof attributable to non-controlling interests	D.5.	73	109	117	209
Average number of shares outstanding (basic)		16,367,531	16,367,531	16,367,531	15,852,469
Average number of shares outstanding (diluted)		17,423,041	17,423,041	17,423,041	16,907,979
<b>Earnings per share from continuing operations (basic) in €</b>		<b>0.55</b>	<b>0.45</b>	<b>1.01</b>	<b>0.88</b>
<b>Earnings per share from continuing operations (diluted) in €</b>		<b>0.52</b>	<b>0.42</b>	<b>0.96</b>	<b>0.82</b>
<b>Earnings per share from discontinued operations (basic) in €</b>		<b>-0.00</b>	<b>0.00</b>	<b>-0.00</b>	<b>0,00</b>
<b>Earnings per share from discontinued operations (diluted) in €</b>		<b>-0.00</b>	<b>0.00</b>	<b>-0.00</b>	<b>0.00</b>
<b>Earnings per share attributable to stockholders of the parent from net income/loss for the period (basic) in €</b>		<b>0.55</b>	<b>0.45</b>	<b>1.01</b>	<b>0.88</b>
<b>Earnings per share attributable to stockholders of the parent from net income/loss for the period (diluted) in €</b>		<b>0.52</b>	<b>0.42</b>	<b>0.96</b>	<b>0.82</b>

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

(in € 000)	Q2		6 months	
	Apr. 1 - Jun. 30, 2017	Apr. 1 - Jun. 30, 2016	Jan. 1 - Jun. 30, 2017	Jan. 1 - Jun. 30, 2016
<b>Net income/loss for the period</b>	<b>9,106</b>	<b>7,430</b>	<b>16,597</b>	<b>14,092</b>
<b>Other comprehensive income</b>				
<b>Items possibly to be reclassified in profit or loss in subsequent periods</b>				
Currency translation difference	-1,380	333	-1,684	-229
Exchange price differences - securities	0	0	0	0
Income taxes	430	-103	524	71
<b>Items not to be reclassified in profit or loss</b>				
Change in actuarial gains/losses from pensions	3	0	3	0
Deferred taxes from change in actuarial gains/losses from pensions	-1	0	-1	0
<b>Other comprehensive income for the period (after taxes)</b>	<b>-948</b>	<b>230</b>	<b>-1,158</b>	<b>-158</b>
<b>Comprehensive income for the period</b>	<b>8,158</b>	<b>7,660</b>	<b>15,439</b>	<b>13,934</b>
thereof attributable to stockholders of the parent	8,085	7,551	15,322	13,725
thereof attributable to non-controlling interests	73	109	117	209

**CONSOLIDATED STATEMENT OF CASH FLOWS**

(in € 000)	Jan. 1 - Jun. 30, 2017	Jan. 1 - Jun. 30, 2016
<b>Cash flow from ordinary activities</b>		
Profit for the year before tax and minority interest	24,153	20,930
Adjustments		
+ Amortization and write-downs of intangible fixed assets, and depreciation and write-downs of tangible fixed assets	10,253	10,533
+ Interest result and other financial result	1,106	1,548
+/- Changes in long-term provisions	-2	274
+/- Changes in short-term provisions	-272	-454
+/- Result from the sale of intangible assets, tangible assets and financial assets	-233	-333
+/- Changes in inventories	-3,920	-796
+/- Changes in accounts receivable from purchases and services, as well as other receivables	-4,972	-7,887
+/- Changes in accounts payable from purchases and services, as well as other payable	-19,548	-16,767
- Interest paid	-112	-91
+/- Income tax paid and refunded	-10,503	-4,208
+/- Non-cash expenses and income	-98	-78
+/- Cash inflow/outflow from discontinued operations	-2	0
<b>Net cash from operating activities</b>	<b>-4,150</b>	<b>2,671</b>
<b>Cash flow from investing activities</b>		
+/- Acquisition of subsidiaries and equity instruments of other companies	-2,299	-1,620
- Acquisition of long-term financial assets	-4,519	-1
- Purchase of available-for-sale current financial assets	0	-30,000
- Payments for additions to intangible assets and tangible assets	-17,903	-12,348
+ Income from disposal of intangible assets, tangible assets and financial assets	1,392	877
+ Disposal of available-for-sale financial assets	2,000	0
+ Interest received	43	33
<b>Net cash used in investing activities</b>	<b>-21,286</b>	<b>-43,059</b>
<b>Cash flow from financing activities</b>		
+/- Income from the issue of subscribed capital	0	66,214
+/- Capital increase costs	-2	-1,429
- Repayment of long-term debt (incl. short-term portion)	-818	-420
+/- Changes in short-term financial liabilities	-1,130	5,228
- Interest paid	-568	-617
- Dividends paid	-8,213	-8,274
+/- Receipts and payments for finance lease	195	-204
<b>Net cash used in financing activities</b>	<b>-10,536</b>	<b>60,498</b>
<b>Net increase/decrease in cash and cash equivalents</b>	<b>-35,972</b>	<b>20,110</b>
+/- Changes in value resulting from foreign currency exchange	-1,253	-155
+/- Cash and cash equivalents at the beginning of the period	63,590	85,802
<b>Cash and cash equivalents at the end of the period</b>	<b>26,365</b>	<b>105,757</b>
<i>Structure:</i>		
Cash	26,365	105,757
Cash from discontinued operations	0	0
	<b>26,365</b>	<b>105,757</b>



**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

	Shares	Capital stock	Capital reserves	Revenue reserves	Currency translation reserves	Exchange rate price difference reserves	Reserves for changes in actuarial gains/ losses from pensions	Revaluation reserve	Net retained profits	Total investors of parent company	Minority interests	Total equity
	units'000	in €'000	in €'000	in €'000	in €'000	in €'000	in €'000	in €'000	in €'000	in €'000	in €'000	in €'000
<b>January 1, 2016</b>	<b>14,880</b>	<b>14,880</b>	<b>110,197</b>	<b>38,067</b>	<b>1,090</b>	<b>2</b>	<b>-217</b>	<b>-153</b>	<b>34,837</b>	<b>198,703</b>	<b>5,584</b>	<b>204,287</b>
Net income/(loss) for the period									33,365	33,365	286	33,651
Other comprehensive income					479	0	-129			350	0	350
Comprehensive income					479	0	-129		33,365	33,715	286	34,001
Capital increase	1,488	1,488	64,726							66,214		66,214
Changes in reserves: Capital increase costs			-988							-988		-988
Transfer of net retained profit/net accumulated loss/revenue reserves				22,455					-22,455	0		0
Distribution in fiscal year									-8,184	-8,184	-90	-8,274
Changes due to acquisition of non-controlling interests				-6,323						-6,323	-3,838	-10,161
<b>December 31, 2016</b>	<b>16,368</b>	<b>16,368</b>	<b>173,935</b>	<b>54,199</b>	<b>1,569</b>	<b>2</b>	<b>-346</b>	<b>-153</b>	<b>37,563</b>	<b>283,137</b>	<b>1,942</b>	<b>285,079</b>
Other comprehensive income									16,480	16,480	117	16,597
Comprehensive income					-1,160	0	2			-1,158	0	-1,158
Capital increase					-1,160	0	2		16,480	15,322	117	15,439
Changes in reserves: Capital increase costs			-1							-1		-1
Transfer of net retained profit/net accumulated loss/revenue reserves				19,061					-19,061	0		0
Distribution in fiscal year									-8,184	-8,184	-30	-8,214
<b>June 30, 2017</b>	<b>16,368</b>	<b>16,368</b>	<b>173,935</b>	<b>73,260</b>	<b>409</b>	<b>2</b>	<b>-344</b>	<b>-153</b>	<b>26,798</b>	<b>290,274</b>	<b>2,029</b>	<b>292,303</b>

# Segment information – IFRS

Segment information	Cloud Solutions		IT Solutions	
	Jan. 1 - Jun. 30, 2017 €'000	Jan. 1 - Jun. 30, 2016 €'000	Jan. 1 - Jun. 30, 2017 €'000	Jan. 1 - Jun. 30,2016 €'000
<b>Sales revenues</b>				
- External sales	79,701	76,735	456,170	415,424
- Intersegment sales	876	537	2,749	2,320
- Total sales revenues	80,577	77,272	458,919	417,744
- Cost of purchased materials and services	-41,163	-42,861	-349,693	-311,021
- Human resources costs	-17,609	-16,665	-73,280	-69,346
- Other income and expenses	-4,429	-3,444	-13,250	-14,179
<b>EBITDA</b>	17,376	14,302	22,696	23,198
- Depreciation and amortization	-3,256	-3,134	-6,888	-7,255
<b>Operating result (EBIT)</b>	14,120	11,168	15,808	15,943
- Interest income	159	137	197	165
- Interest expenses	-15	-2	-1,324	-991
- Other financial income	0	0	54	0
- Other financial expenses	0	0	0	-227
- Share in profit or loss of associated companies accounted for by using the equity method	98	77	0	0
Result from ordinary activities	14,362	11,380	14,735	14,890
- Foreign currency exchange differences				
Earnings before taxes	14,362	11,380	14,735	14,890
- Income taxes				
- Discontinued operations	-3	0	0	0
<b>Consolidated net income for the year</b>				
thereof attributable to stockholders of the parent				
thereof attributable to non-controlling interests				

Total business segments		Other companies		Reconciliation		Consolidated	
Jan. 1 - Jun. 30, 2017 €'000	Jan. 1 - Jun. 30, 2016 €'000	Jan. 1 - Jun. 30, 2017 €'000	Jan. 1 - Jun. 30, 2016 €'000	Jan. 1 - Jun. 30, 2017 €'000	Jan. 1 - Jun. 30, 2016 €'000	Jan. 1 - Jun. 30, 2017 €'000	Jan. 1 - Jun. 30, 2016 €'000
535,871	492,159	48	26				
3,625	2,857	0	1	-3,625	-2,858		
539,496	495,016	48	27	-3,625	-2,858	535,919	492,185
-390,856	-353,882	0	0	3,396	2,484	-387,460	-351,398
-90,889	-86,011	-3,523	-3,541	0	0	-94,412	-89,552
-17,679	-17,623	-1,182	-898	229	374	-18,632	-18,147
40,072	37,500	-4,657	-4,412	0	0	35,415	33,088
-10,144	-10,389	-109	-144	0	0	-10,253	-10,533
29,928	27,111	-4,766	-4,556	0	0	25,162	22,555
356	302	914	476	-892	-463	378	315
-1,339	-993	-1,089	-1,102	892	463	-1,536	-1,632
54	0	0	0	0	0	54	0
0	-227	-2	-4	0	0	-2	-231
98	77	0	0	0	0	98	77
29,097	26,270	-4,943	-5,186	0	0	24,154	21,084
				-1	-154	-1	-154
29,097	26,270	-4,943	-5,186	-1	-154	24,153	20,930
				-7,553	-6,838	-7,553	-6,838
-3	0	0	0	0	0	-3	0
						<b>16,597</b>	<b>14,092</b>
						16,480	13,883
						117	209

## A. Principles adopted for the consolidated financial statements

### 1. General information

The consolidated financial statements of CANCOM SE and its subsidiaries ('the CANCOM Group' or 'the Group') for the fiscal year 2017 were drawn up according to the International Financial Reporting Standards (IFRS) and/or the International Accounting Standards (IAS).

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

This consolidated interim financial report is condensed and was drawn up in compliance with IAS 34 Interim Financial Reporting. It should be read in conjunction with the IFRS-compliant consolidated financial statements for the fiscal year 2016, which can be downloaded from [www.cancom.com](http://www.cancom.com).

### 2. Reporting entity

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

Verioplan GmbH has been merged into CANCOM VVM GmbH. The merger is documented in a merger contract dated April 26, 2017 and was entered in the commercial register file of CANCOM VVM GmbH on May 2, 2017.

With a contract for purchase and transfer of shares dated May 30, 2017, CANCOM SE acquired the entirety of shares (10,000) of Antauris-Aktiengesellschaft with registered office in Hamburg, Germany. The nominal value of the shares amounted to € 500,000 and the purchase price was € 6,000,000. Incidental acquisition costs of € 128 thousand were incurred in the first-half of the current year and recognized under 'Other operating expenses' in the statement of income.

Antauris-Aktiengesellschaft operates Germany-wide as an integrated IT service provider and consulting company, service partner and vendor of system-level enterprise applications in the area of data center solutions. This company possesses specialized know and has many years of experience in such areas as IT security, managed services, storage and network management, as well as data center structures and virtualization. The company has 100 staff members and achieved revenues of approximately € 38 million in 2016.

The company was first included in the consolidated financial statements on July 1, 2017.

Change in reporting entity in 2017:

Name and registered office of company	Date from which first included in the consolidated financial statements	Stock-holding (in percent)	Voting rights (in percent)
Antauris-Aktiengesellschaft, Hamburg, Germany	July 1, 2017	100	100

The goodwill value of this acquisition cannot yet be assessed and is not tax-deductible. The main reasons for the acquisition itself and the recognition of goodwill derive from the expansion of business activities in northern Germany.

The information respecting acquired assets and assumed liabilities to be stated pursuant to IFRS 3.59b) in conjunction with IFRS 3 B66 and B 64(h) – (n) cannot yet be provided on account of the proximity of the acquisition date to the date of publication of the half-year report.

With a contract for purchase and transfer of shares dated June 22, 2017, CANCOM SE acquired 81.47 percent of the shares of Synaix Gesellschaft für angewandte Informations-Technologien mbH, nominally valued at € 407,350, and all shares in synaix Service GmbH, nominally valued at € 25 thousand. The companies have their registered offices in Aachen, Germany. The acquisition price for synaix Service GmbH is € 34 thousand, and the consideration due for Synaix Gesellschaft für angewandte Informations-Technologien mbH comprises a fixed cash price component of € 43,966 thousand and a variable earn-out component of the maximum amount of € 6,000 thousand. The fair value of the variable purchase price is not determined yet.

With a contract for contribution and assignment dated July 22, 2017, CANCOM SE acquired 18.53 percent of the shares of Synaix Gesellschaft für angewandte Informations-Technologien mbH based in Aachen. The nominal value of the shares amounts to € 92,650. The purchase price of € 10,000 thousand is paid by issuing new no-par value shares to the seller as a contribution in kind from the authorized capital of CANCOM SE. The new shares are admitted to the FWB Frankfurt Stock Exchange and are eligible for trading. A total of 185,714 no-par value shares at a price of € 53.846 each will be allotted.

Incidental acquisition costs of € 61 thousand were incurred in the first half of the year and recognized under 'Other operating expenses' in the statement of income.

The synaix Group is an IT service provider with an integrated portfolio of solutions for digital transformation services. In the service areas of standard IT, managed IT and digital process hosting, the synaix Group operates the digital core processes of clients in a variety of industries, based on the 'as a service' model, and performs IT services in its own or external data centers. The synaix Group currently employs 80 persons and in fiscal 2016 achieved revenues of € 13.7 million and a profit margin in the mid double digits.

The company was first included in the consolidated financial statements on July 21, 2017.

Change in the reporting entity in 2017:

Name and registered office of company	Date from which first included in the consolidated financial statements	Stock-holding (in percent)	Voting rights (in percent)
Synaix Gesellschaft für angewandte Informations-Technologien mbH, Aachen	July 21, 2017	100	100
synaix Service GmbH	July 21, 2017	100	100

The goodwill value of this acquisition cannot yet be assessed and is not tax-deductible. The main reasons for the acquisition itself and the recognition of a goodwill value derive from the broader client base in connection with the 'IT as a service' business along with cloud and managed services as well as further expansion of our positioning as a digital transformation partner.

The information respecting acquired assets and assumed liabilities to be stated pursuant to IFRS 3.59b) in conjunction with IFRS 3 B66 and 64(h) – (n) cannot yet be provided on account of the proximity of the acquisition date to the date of publication of the half-year report.

### 3. Accounting and valuation policies

The consolidated interim financial report is compiled using basically the same accounting and valuation methods as those used for the consolidated financial statements for the fiscal year 2016.

## B. Notes to the consolidated balance sheet

### 1. Other current financial assets

This item includes receivables from banks (€ 86,000 thousand), claims to the payment of a purchase price relating to lease projects (€ 5,728 thousand), bonuses due from suppliers (€ 3,782 thousand), marketing revenue (€ 874 thousand), creditors with a debit balance (€ 233 thousand), claims to the payment of a purchase price from the disposal of companies (€ 200 thousand) and receivables from staff (€ 138 thousand).

### 2. Prepaid expenses and other current assets

This item mainly consists of other current assets such as tax refunds (€ 970 thousand), commission income (€ 510 thousand), insurance refunds (€ 341 thousand) and receivables from social insurance institutions (€ 127 thousand).

The prepaid expenses (€ 3.808 thousand) include deferred insurance premiums and expenses paid in advance.

### 3. Deferred tax assets

The deferred tax assets are as follows:

Deferred taxes from	temporary differences €'000	tax losses carryforwards €'000
As at January 1, 2017	2,665	1,605
Addition owing to recognition of actuarial losses from pension provisions, directly in equity*	2	0
Tax income/expense from profit and loss calculation	110	-254
Currency exchange gains/losses *	-13	0
<b>As at June 30, 2017</b>	<b>2,764</b>	<b>1,351</b>

\* directly recognized in equity

As at June 30, 2017, the CANCOM Group had tax loss carryovers of € 3.4 million and trade tax loss carryovers of € 4.9 million. On the basis of the planned tax results, it is expected that the capitalized deferred tax advantages from loss carryovers will be realized.

The deferred taxes from temporary differences are mainly the result of differences in property, plant and equipment/tangible assets (€ 655 thousand), intangible assets (€ 591 thousand), pension provisions (€ 463 thousand), other liabilities (€ 384 thousand), other financial liabilities (€ 378 thousand), intragroup payables (€ 139 thousand) and other provisions (€ 130 thousand).

#### 4. Other current financial liabilities

Other current financial liabilities includes liabilities to former affiliated companies (€ 2,778 thousand), debtors with a credit balance (€ 2,405 thousand), outstanding bills of charge (€ 819 thousand), leasing purchase price liabilities (€ 385 thousand), Supervisory Board remuneration (€ 145 thousand) and rent obligations (€ 87 thousand).

#### 5. Other provisions

The provisions mainly include guarantees and warranties (€ 1,471 thousand), copyright fees (€ 1,195 thousand), the variable component of the purchase price for shares in affiliated entities (€ 903 thousand), interest expenses (€ 534 thousand), anniversaries (€ 354 thousand), legal costs (€ 256 thousand), termination payments (€ 215 thousand), compensation payments (€ 174 thousand), decommissioning and restoration liabilities (€ 132 thousand), financial statement costs (€ 99 thousand), archiving costs (€ 98 thousand) and contingent risks (€ 63 thousand).

The total provisions include long-term provisions of € 2,722 thousand, which are recognized under other non-current liabilities. These are mainly for copyright fees (€ 1,195 thousand), guarantees and warranties (€ 710 thousand), anniversaries (€ 354 thousand), contingent purchase price provisions (€ 246 thousand), termination payments, for which a provision is legally mandatory in Austria (€ 110 thousand) and archiving costs (€ 80 thousand).

#### 6. Other current liabilities

Other current liabilities mainly include sales tax (€ 6,584 thousand), holiday and overtime entitlements (€ 6,374 thousand), staff bonus payments (€ 6,081 thousand), tax on salaries and church tax (€ 3,627 thousand), employers' liability insurance association (€ 377 thousand), wages and salaries (€ 305 thousand), social security contributions (€ 282 thousand), compensation levy for non-employment of the severely handicapped (€ 140 thousand) and interest liabilities in connection with convertible bonds (€ 102 thousand).

#### 7. Convertible bonds

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

In accordance with section 5 (b) of the 20 March 2014 Terms and Conditions of the Bonds, CANCOM SE may, on giving not less than 30 nor more than 60 calendar days' prior notice to the bondholders, redeem the outstanding bonds with effect from the call redemption date fixed in the notice. However, such notice may only be given if the shareprice on not less than 20 trading days during a period of 30 consecutive trading days ending not earlier than five trading days prior to the publication of the redemption, is equal to or exceeds 130 percent the then applicable conversion price (since 21 June 2017: € 42.3297) as at each such trading day. In the case such notice is given, CANCOM SE will redeem the bonds on the call redemption date. Bondholders are granted a conversion right. Exercise of conversion right and conversion period are laid down in the terms and conditions. CANCOM thinks about making use of giving this notice.

On the balance sheet, the convertible bond is split into an equity component and a liability component. The carrying amount of the liability component as at the reporting date is € 42,472 thousand. The value of the equity component is € 5,942 thousand, which is recognized under capital reserves. An effective interest expense of € 891 thousand was recognized for the bond in the period from January 1 to June 30, 2017, and the nominal interest payments amounted to € 394 thousand.

### 8. Deferred tax liabilities

The deferred tax liabilities are as follows:

	€'000
As at January 31, 2017	7,550
Tax income from profit and loss calculation	-1,050
Currency exchange gains/losses	-459
<b>As at June 30, 2017</b>	<b>6,041</b>

\* directly recognized in equity

The deferred tax liabilities arise from deviations from the tax balance sheets. They are the result of the recognition and revaluation of intangible assets (€ 3,442 thousand), other financial assets (€ 726 thousand), software development costs (€ 580 thousand), goodwill (€ 416 thousand), property, plant and equipment/tangible assets (€ 372 thousand), loans to affiliated companies (€ 284 thousand), convertible bonds (€ 93 thousand), prepaid expenses (€ 46 thousand), other financial liabilities (€ 45 thousand), contracts in progress (€ 12 thousand), other provisions (€ 9 thousand), other current liabilities (€ 8 thousand), equity-accounted investments (€ 7 thousand), and long-term investments (€ 1 thousand).

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

### 9. Other non-current financial liabilities

Other non-current financial liabilities include rent obligations of € 370 thousand and purchase price liabilities of € 351 thousand.

### C. Segment information

Segment information is disclosed according to IFRS 8 Operating Segments. The segment information is based on the segmentation used for internal control purposes (management approach).

The Group reports on two operating segments: cloud solutions and IT solutions.

### Description of the segments subject to mandatory reporting

The cloud solutions operating segment comprises CANCOM Pironet AG & Co. KG (former PIRONET Datacenter AG & Co. KG), PIRONET Enterprise Solutions GmbH, Pironet AG, and the divisions of CANCOM GmbH allocated to the cloud solutions segment. This operating segment comprises the CANCOM Group's cloud and shared managed services business, including project-related cloud hardware, software and services business. The product and service portfolio comprises analysis, consulting, delivery, implementation and services, thus providing clients with the necessary orientation and support for transformation of their corporate IT systems to cloud computing. As part of its range of services, the CANCOM Group is able to run parts of, or entire, IT departments for its clients, using scalable cloud and managed services – especially shared managed services. Distribution costs allocated to cloud distribution are included in the segment. The cloud business also benefits from synergies with CANCOM's general sales and marketing service, the costs of which are allocated to the IT solutions reportable segment.

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

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

### Reconciliation

Reconciliation shows items not directly connected with the operating segments and the other companies. They include sales within the segments, and the income tax expense.

The income tax expense is not a component of the profit of the operating segments. Since the tax expense is allocated to the parent company where the parent company is the taxable entity, the allocation of the income tax does not exactly correspond to the structure of the segments.

### Information on geographical regions

	Sales revenue according to client location		Sales revenue according to entity location	
	Jan. 1 - Jun. 30, 2017 €'000	Jan. 1 - Jun. 30, 2016 €'000	Jan. 1 - Jun. 30, 2017 €'000	Jan. 1 - Jun. 30, 2016 €'000
Germany	438,265	406,939	468,776	435,845
Outside Germany	97,654	85,246	67,143	56,340
Group	535,919	492,185	535,919	492,185

  

	Non-current assets	
	Jun. 30, 2017 €'000	Jun. 30, 2016 €'000
Germany	147,399	121,419
Outside Germany	17,409	32,705
Group	164,808	154,124

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

## D. Notes to the consolidated statement of income

### 1. Other operating income

Other operating income is broken down as follows:

	Jan. 1 - Jun. 30, 2017 €'000	Jan. 1 - Jun. 30, 2016 €'000
Rent	0	1
Income not relating to the period	640	688
Government grants	312	287
Compensation for damage	8	12
Other operating income	69	55
<b>Total</b>	<b>1,029</b>	<b>1,043</b>



## 2. Human resources expenses

The human resources expenses consist of the following:

	Jan. 1 - Jun. 30, 2017 €'000	Jan. 1 - Jun. 30, 2016 €'000
Wages and salaries	81,199	76,969
Social security contributions	12,953	12,393
Pension expenses	260	190
<b>Total</b>	<b>94,412</b>	<b>89,552</b>

## 3. Other operating expenses

The other operating expenses consist of the following items:

	Jan. 1 - Jun. 30, 2017 €'000	Jan. 1 - Jun. 30, 2016 €'000
Premises costs	5,123	5,169
Insurance and other charges	579	645
Motor vehicle costs	1,671	2,218
Advertising costs	1,291	1,210
Stock exchange and entertainment costs	213	257
Hospitality and traveling expenses	2,877	2,383
Delivery costs	1,792	1,619
Third-party services	1,339	1,101
Repairs, maintenance, leasing	1,645	1,288
Communications and office costs	1,222	1,214
Professional development and training costs	754	845
Legal and consultancy costs	1,005	892
Fees and charges; costs of money transactions	183	477
Provisions for impairment of accounts receivable	0	0
Other operating expenses	821	909
<b>Total</b>	<b>20,515</b>	<b>20,227</b>

## 4. Income taxes

The rate of income tax for the German companies was 31.10 percent (2016: 30.95 percent). This is made up of corporate tax, trade tax and solidarity surcharge.

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

	Jan. 1 - Jun. 30, 2017 €'000	Jan. 1 - Jun. 30, 2016 €'000
<b>Earnings before tax</b>	<b>24,153</b>	<b>20,930</b>
<b>Expected tax expense at rate for German companies (31.10 percent; 2016: 30.95 percent)</b>	<b>7,512</b>	<b>6,478</b>
- Difference from tax paid outside Germany	158	19
- Change in value adjustment of deferred tax assets on loss carryforwards	-517	0
- Tax-exempt income/ non tax-relevant losses on disposals	33	8
- Actual income tax not relating to the period	95	32
- Permanent differences	-16	75
- Non-deductible operating expenses as well as additions and reductions in relation to trade tax	240	166
- Effects of tax rate changes	-4	37
- Miscellaneous	52	23
<b>Total Group income tax expenses</b>	<b>7,553</b>	<b>6,838</b>

The actual tax rate is calculated as follows:

	Jan. 1 - Jun. 30, 2017 €'000	Jan. 1 - Jun. 30, 2016 €'000
Income before tax	24,153	20,930
Income tax	7,553	6,838
Actual tax expense rate	31.27%	32.67%

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

	Jan. 1 - Jun. 30, 2017 €'000	Jan. 1 - Jun. 30, 2016 €'000
<b>Actual income tax expense</b>	8,458	7,036
<b>Deferred taxes:</b>		
Assets	144	643
Liabilities	-1,050	-1,283
	-906	-640
<b>Deferred taxes recognized directly in equity</b>	1	442
<b>Group income tax</b>	<b>7,553</b>	<b>6,838</b>

## 5. Non-controlling interests

Minority interests account for 5.08 percent of the net income for the period of Pironet AG subgroup (€ 117 thousand).

## E. Other disclosures

### 1. Related party disclosures

For the purposes of IAS 24, Klaus Weinmann can be considered a related party who can exercise a significant influence on the CANCOM Group as an Executive Board member of CANCOM SE. Rudolf Hotter, the other Executive Board member, is also a related party for the purposes of IAS 24, as are the members of the Supervisory Board. Other related persons under IAS 24.9 b are:

- AL-KO AG and its subsidiaries;
- ABCON Holding GmbH and its subsidiaries;
- ABCON Vermögensverwaltung GmbH and its subsidiaries;
- DV Immobilien Management GmbH; and
- Elber GmbH
- Athanor Gesellschaft für Beratung und Beteiligungen mbH and its subsidiaries
- Wild Consult LLC
- Electronic Online Services GmbH
- Spacelab Invest GmbH.

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

The transaction volumes of goods sold and services provided to related parties under IAS 24 in the first six months of 2017 were as follows: AL-KO Kober SE and its subsidiaries purchased goods/ services amounting to € 1,023 thousand (gross), of which € 127 thousand was outstanding at the balance sheet date.

No goods and services were purchased from related parties under IAS 24.

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

A list of stockholdings can be found on page 9 of this interim report.

### 3. Stockholdings in the company as defined in Section 20 IV of the German Stock Corporation Act (Aktiengesetz, AktG)

CANCOM SE did not receive written notice from any stockholder disclosing a majority stockholding as defined in Section 20 of the above Act in the first six months of 2017.

**CANCOM SE**

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