Q2 2018

INTERIM REPORT AS AT JUNE 30, 2018

CANCOM

Key figures

CANCOM GROUP

in € million	1H AT A GLANCE		
	1H 2018	1H 2017	Δ
Revenues	608.5	535.9	+13.5%
Gross profit	176.3	150.3	+17.3%
EBITDA (adjusted)	48.7	38.7	+25.8%
EBITDA margin (adjusted)	8.0%	7.3%	+0.7 pp
EBITA (adjusted)	36.7	28.2	+30.1%
EBIT (adjusted)	30.2	25.2	+19.8%

	30/6/2018	31/12/2017	Δ
Balance sheet total	682.2	692.1	-1.4%
Equity	366.2	364.3	+0.5%
Equity ratio	53.7%	52.6%	+1.1 pp
Employees	3.071	2.761	+13.1%

SEGMENTS

in € million	CLOUD SOLUTIONS		
	1H 2018	1H 2017	Δ
Revenues	109.7	79.7	+37.6%
EBITDA (adjusted)	27.3	18.3	+49.2%
EBITDA margin (adjusted)	24.9%	23.0%	+1.9 pp

in € million	IT SOLUTIONS		
	1H 2018	1H 2017	Δ
Revenues	498.8	456.2	+9.3%
EBITDA (adjusted)	26.7	24.9	+7.2%
EBITDA margin (adjusted)	5.4%	5.5%	-0.1 pp

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Dear Shareholders,

2018 is a year of decisive course settings for CANCOM. It is for a reason that we speak of a „new era". For the first time, we generated more earnings in the Cloud Solutions segment than in the IT Solutions segment in one half year. At the same time, we are investing more decisively than ever in people, structures and companies to further accelerate this transformation process. These two events can be described as disruptive in view of a company that for 25 years was seen primarily as a system house in the market. The goal of this deliberate disruption in our Group is clear: today we are spending money to turn the current continuous growth into a more exponential growth in the medium term.

The acquisition of the British IT service provider OCSL shortly before this financial report was published also shows the emphasis we are placing on entering the cloud-ready international IT markets. But, as the owner of CANCOM Group, you can also see from the transaction parameters that we have remained true to our reasonable acquisition strategy. We would be glad if you would maintain your loyalty to us on the exciting path CANCOM is still facing.

The Management Board of CANCOM SE

Klaus Weinmann
CEO

Rudolf Hotter
COO

Thomas Volk
President & General Manager

Thomas Stark
CFO

Consolidated interim management report

1. Fundamental information about the Group

The CANCOM Group is one of the leading providers of IT infrastructure and services in Germany and Austria. With its decentralized distribution and service structure, as well as central services in areas such as finance, purchasing, warehousing, logistics, marketing, product management and human resources, the Group's organizational structure is well placed for sustainable, profitable growth. The Group has locations in Germany, Austria, Great Britain, Belgium, Switzerland the U.S.A.

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 long-term equity investments held by the CANCOM Group.

Areas of business

The cloud solutions segment comprises CANCOM Group's cloud and shared managed services business, including cloud project-related 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 their transition 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 activities, the costs of which are allocated to the IT solutions reportable segment. The group segment Cloud Solutions comprises CANCOM Pironet AG & Co. KG, PIRONET Enterprise Solutions GmbH, Pironet AG, PIRONET NDH Beteiligungs GmbH, Synaix Gesellschaft für angewandte Informations-Technologien mbH, synaix Service GmbH, Ocean Intelligent Communications Ltd, Ocean Unified Communications Ltd, Ocean Network Services Ltd. plus the divisions of CANCOM GmbH and CANCOM on line GmbH allocated to the Cloud Solutions segment

The IT solutions 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 IT Solutions segment comprises CANCOM GmbH, CANCOM Computersysteme GmbH, CANCOM a + d IT solutions GmbH, CANCOM (Switzerland) AG, CANCOM 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., HPM Incorporated less the division of CANCOM GmbH and CANCOM on line GmbH allocated to the Cloud Solutions segment and the „other companies“ segment.

Focus of activities and sales markets

CANCOM Group acts as Managed Services Provider, IT architect, systems integrator and software provider. 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 lists therefore mainly include commercial end-users, from small and medium sized enterprises to large enterprises 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. and UK.

CANCOM focusses on major IT trends such as cloud computing, mobility, analytics, collaboration and security, in addition to profitable, high-growth market segments such as complete integrated IT solutions, consulting and managed services. In the managed services business, CANCOM focuses on standardizing and increasingly automating services in a one-to-many model – in other words, as a shared service. Ideally, services are provided remotely and using a joint platform.

Competitive position

According to the Federal Statistical Office of Germany, there are currently more than 90,000 information and communications technology (ICT) enterprises in Germany, although they vary in size and in the range of services they offer. Of these enterprises, approximately 85,600 provide IT hardware, software and IT services. There are around 178 businesses with more than 500 employees. Fifteen integrated systems providers (including CANCOM) generate sales revenue in excess of € 250 million in Germany.

Germany's digital association BITKOM assessed that the total volume of the German IT market in 2017 was € 85.8 billion. This means that, with annual sales revenues in Germany of € 1,047.9 million, the CANCOM Group currently has a market share of around one percent. The five largest German integrated IT systems providers in the latest ChannelPartner/COMPUTERWOCHE ranking (CANCOM is ranked fifth) have a market share of around fifteen percent between them. The remaining market share is held among others by IT manufacturers as well as small and medium sized, mainly regional, enterprises. This reflects the very fragmented nature of the German IT market.

Explanation of the control system used within the Group

To control and monitor the performance of the individual subsidiaries and the 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 selection of financial key performance indicators used to manage the Group was altered at the start of the fiscal year 2018. The financial KPIs are now gross profit[1], earnings before interest, tax, depreciation and amortization (EBITDA)[2] and earnings before interest, tax and amortization (EBITA)[3]. The latter provides a broad view of the success of the enterprise as a whole, because acquisition of companies is one of the significant activities under the corporate strategy, but it causes a reduction in earnings before interest and tax (EBIT)[4], purely in accounting terms, as a consequence of the inclusion of newly acquired companies in the consolidated financial statements. EBITA are therefore a better reflection of the entrepreneurial capability of the CANCOM Group.

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 of the current CANCOM Group's annual 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.

Environmental report

As an IT services and trading company, CANCOM aims to offer services and products of excellent quality, at an attractive price and as environmentally friendly as possible. It therefore places great importance on conserving the resources at its disposal. The corporation offers innovative solutions across its entire range of services and products in order to make a professional contribution to the environmentally-friendly and resource-conserving use of information technology over the whole life cycle of IT products.

For instance, CANCOM offers its clients the advantages of state-of-the-art, energy-efficient data centers, which bring not only ecological benefits, but also considerable savings on a company's

Explanation of the alternative performance measures (APM) required by the guidelines on APMs issued by the European Securities and Markets Authority (ESMA):

1) Gross profit = gross revenue (sales revenues + other operating income + other own work capitalized) less cost of purchased materials and services

2) EBITDA = net income for the period + taxes + profit/loss accounted for using the equity method + income from long-term equity investments + financial result + depreciation of property, plant and equipment (tangible assets), and amortization of intangible assets

3) EBITA = net income for the period + taxes + profit/loss accounted for using the equity method + income from long-term equity investments + financial result + amortization of intangible assets

4) EBIT = net income for the period + taxes + profit/loss accounted for using the equity method + income from long-term equity investments + financial result

energy and IT costs. CANCOM's use of advanced, intelligent systems for communication and collaboration (for instance, video and web conferencing solutions) also enables resources to be conserved. The resulting reduction in travel needs by employees leads to lower CO_2 emissions, in addition to benefits such as process optimization and considerable cost savings.

CANCOM SE is a member of the UN Global Compact, thereby supporting its principles, which cover human rights, labor standards and the combating of corruption in addition to environmental protection.

Further summarized information on environmental concerns – in addition to employer and social issues, the respecting of human rights and the combating of corruption and bribery – can be found in the detached non-financial report of the CANCOM Group and CANCOM SE.

2. Economic report

The general economic situation and the performance of the IT sector

Deutsche Bundesbank believes the performance of the German economy as a whole should have picked up again during the second quarter of 2018 in comparison with the first quarter. The dampening effect of extraordinary factors at the beginning of the year – for instance the major influenza epidemic – no longer applies. However, in its monthly report for July 2018, Deutsche Bundesbank predicts that the high growth rates of 2017 will not be achieved this year. Nevertheless, it reports that industrial output is gathering momentum, bolstered by exports; the labor market situation remains excellent; sharp increases in wages and salaries are ensuring that retail consumption continues to be a cornerstone of economic growth; and the construction industry also experienced an upturn.

The sector barometer of Germany's digital association Bitkom – an index based on average expected sales revenues for the current quarter or half year in the German IT sector – is at a new historic high with an index value of 78.

Business development in the first half year and after the end of the reporting period

The business development of the CANCOM Group was positive in the first half of financial year 2018. In the first six months, CANCOM achieved a revenues increase of 13.5 percent (from EUR 535.9 million to EUR 608.5 million). The increase in revenues in the first half of 2018 was firstly a consequence of good customer demand across the entire breadth of the product and service portfolio. On the other hand, positive effects from the latest company takeovers were added as a result of the offensive acquisition strategy of the CANCOM Group.

Growth was accompanied by a strong increase in EBITDA (adjusted), which rose by 25.8 percent (from EUR 38.7 million to EUR 48.7 million). Profitability, measured in terms of the EBITDA margin (adjusted) of 8.0 percent, thus also increased significantly compared with the prior-year figure of 7.3 percent. Both Group segments contributed to the improvement in EBITDA (adjusted), with the Cloud Solutions Group segment exceeding the level of the IT Solutions Group segment in terms of EBITDA (adjusted) for the first time in a half-year period.

In addition to the overall stable demand for IT products and services, the most significant individual events with an impact on earnings in the reporting period were the acquisition of Ocean Intelligent Communications Ltd based in the United Kingdom in the first quarter. With Ocean, CANCOM has acquired a company that is primarily active internationally in the Managed Services and Unified Communication & Collaboration business segments. The acquisition thus contributes to the transformation of the CANCOM Group towards high-margin international cloud and managed services activities.

On the other hand, CANCOM made special investments of around EUR 4.4 million in the first half of the year, which also support this transformation. The investments create the structural and personnel conditions for the internationalization and expansion of the Cloud and Managed Services business and should in particular also support the sale of the in-house IT infrastructure management software AHP. Accordingly, the adjusted key financial figures of the CANCOM Group presented in this report are based on the figures before deduction of these special investments. The adjusted key figures thus show the actual operating profitability of the CANCOM Group. The Executive Board is currently planning special investments totaling around EUR 10 million for the full year 2018.

Thirdly, the CANCOM Group applied the new IFRS 16 „Leases“ regulations for the first time in the reporting period. The effects are described in more detail in the chapter „Results of operations, financial position and net assets“ and in the notes to the consolidated financial statements of this half-year report.

Order position

In the cloud solutions segment and large parts of the IT solutions segment, orders are often placed over long periods and order volumes can change within these periods. For this reason, the reporting date figures do not give a good indication of the order situation in this segment. For this reason the figures are not published.

Employees

As at June 30, 2018, the CANCOM Group employed 3,071 people (June 30, 2017: 2,716). This represents an increase of 13.1 percent in comparison with the same period in 2017.

The employees worked in the following areas:

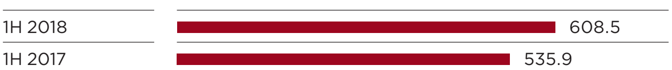
CANCOM Group: Employees

	30/6/2018	30/6/2017
Professional Services	1,898	1,712
Sales and distribution	665	579
Central services	508	425
Total	**3,071**	**2,716**

Earnings, financial and assets position of the CANCOM Group

Earnings position

CANCOM Group: Revenues
(in EUR million)



In the first half of 2018, the CANCOM Group achieved revenues growth of 13.5 percent over the same period of the previous year and consolidated revenues of EUR 608.5 million (previous year: EUR 535.9 million). The growth rate was thus significantly higher than in the same period of 2017 (previous year: 8.9 percent).

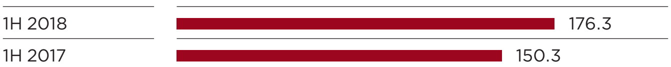
With regard to the national markets, business activities in Germany led to a sales increase of 14.5 percent to EUR 536.9 million compared to the first half of 2017 (previous year: EUR 468.8 million). In international business, CANCOM achieved revenues growth of 6.4 percent to EUR 71.7 million (previous year: EUR 67.1 million).

In the Cloud Solutions segment, CANCOM generated revenue growth of 37.6 percent to EUR 109.7 million (previous year: EUR 79.7 million) in the current reporting period.

In the IT Solutions segment, CANCOM increased sales in the first half of 2018 by 9.3 percent year-on-year to EUR 498.8 million (previous year: EUR 456.2 million).

In the second quarter of 2018 alone, CANCOM achieved revenues growth of 7.9 percent year-on-year to EUR 300.6 million (previous year: EUR 278.7 million). Revenues in the Cloud Solutions segment rose in the second quarter by 35.8 percent to 57.3 million euros (previous year: 42.2 million euros). In the IT Solutions segment, revenue grew by 2.9 percent to 243.3 million euros.

CANCOM Group: Gross profit
(in EUR million)



In the first six months of 2018, the CANCOM Group‘s gross profit rose by 17.3 percent year-on-year to EUR 176.3 million (previous year: EUR 150.3 million). The gross profit margin in the first half of 2018 was 29.0 percent (previous year: 28.0 percent). The main factor behind this disproportionate improvement in gross profit compared to revenue development was the increasing influence of the Cloud Solutions segment.

In the Cloud Solutions segment, gross profit rose by 40.4 percent year-on-year to EUR 55.6 million (previous year: EUR 39.6 million). In the IT Solutions segment, CANCOM posted a 9.1 percent year-on-year increase in gross profit to EUR 120.8 million (previous year: EUR 110.7 million).

In the second quarter alone, CANCOM generated gross profit of EUR 89.8 million (previous year: EUR 75.0 million). In the same period, the Cloud Solutions segment recorded gross profit growth of 39.5 percent to EUR 28.6 million (previous year: EUR 20.5 million), while IT Solutions achieved gross profit growth of 12.7 percent to EUR 61.3 million (previous year: EUR 54.4 million).

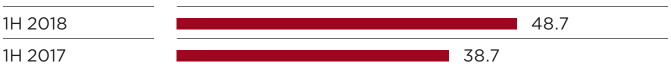
CANCOM Group: Staff expenditure
(in EUR'000)

	1H 2018	1H 2017
Wages and salaries	94,355	81,199
Social contributions	14,661	12,953
Pension expenses	209	260
Total	**109,225**	**94,412**

At EUR 109.2 million, personnel expenses in the first six months of the current financial year were 15.7 percent higher than the prior-year figure (previous year: EUR 94.4 million). The increase is primarily due to the increase in personnel as part of the special investments in internationalization and the cloud business.

Personnel expenses in the second quarter amounted to EUR 55.4 million (previous year: EUR 45.9 million).

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



Prior-year figure and current value adjusted for the effect of the first-time application of IFRS 16.

In the first half of 2018, the CANCOM Group achieved EBITDA (adjusted)[5] of EUR 48.7 million. This represents an improvement of 25.8 percent year-on-year (previous year: EUR 38.7 million). This strong increase was primarily due to higher gross profit in conjunction with continued dynamic development in high-margin business areas and from the most recent acquisitions that have since been integrated. The adjustment of EBITDA relates to the special investments and acquisition costs described in the section Business Development. Both the value for 2018 and the value for 2017 are shown here adjusted for the effects of the first-time application of IFRS 16 to ensure comparability.

In the reporting period, the EBITDA margin (adjusted) was 8.0 percent, while the comparable prior-year figure was 7.3 percent.

CANCOM Group: EBITDA margin (adjusted)

Prior-year figure and current value adjusted for the effect of the first-time application of IFRS 16.

The Cloud Solutions segment contributed to the positive earnings development in the first half of 2018 with an increase in EBITDA (adjusted) of 49.2 percent to EUR 27.3 million compared to the same period of the previous year (comparable previous year: EUR 18.3 million). The EBITDA margin (adjusted) in the Cloud Solutions segment was 24.9 percent (comparable previous year: 23.0 percent).

In the IT Solutions segment, CANCOM achieved EBITDA (adjusted) of EUR 26.7 million, an improvement of 7.2 percent compared to the same period of the previous year (comparable previous year: EUR 24.9 million). The EBITDA margin (adjusted) was 5.4 percent (comparable previous year: 5.5 percent).

The CANCOM Group's EBITDA (adjusted) for the second quarter amounted to EUR 25.3 million (comparable previous year: EUR 20.3 million). The Cloud Solutions segment contributed EUR 14.2 million to this figure (comparable previous year: EUR 9.5 million) and IT Solutions 13.6 million euros (comparable previous year: EUR 13.2 million).

The following unadjusted EBITDA figures include the positive effects from the first-time application of IFRS 16 mentioned in the section Business Development. For better comparability, the previous year's figures shown here have also been adjusted in accordance with IFRS 16. In contrast, the segment reporting table in the consolidated financial statements shows the previous year's figures in accordance with the accounting method applied (see section 4. Effects of the first-time application of IFRS 16) without adjustment.

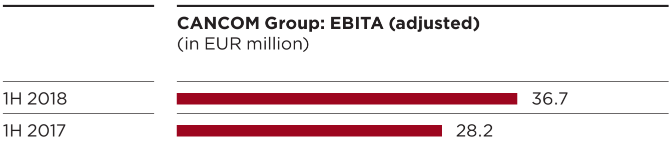
Explanation of the alternative performance measures (APM) required by the guidelines on APMs issued by the European Securities and Markets Authority (ESMA):

5) EBITDA (adjusted) = net income for the period + taxes + profit/loss accounted for using the equity method + income from long-term equity investments + financial result + depreciation and amortization of tangible and intangible assets + special investments in strategic growth projects and M&A costs (excluding acquisition price)

EBITDA of the CANCOM Group excluding special investments in strategic growth projects amounted to EUR 44.3 million in the first half of the current financial year (comparable previous year: EUR 38.5 million) and EUR 22.1 million in the second quarter (comparable previous year: EUR 20.3 million).

Unadjusted EBITDA in the Cloud Solutions segment amounted to EUR 25.7 million in the first half of the year (comparable previous year: EUR 18.3 million).

EBITDA in the IT Solutions segment amounted to EUR 25.3 million in the same period (comparable previous year: EUR 24.9 million).

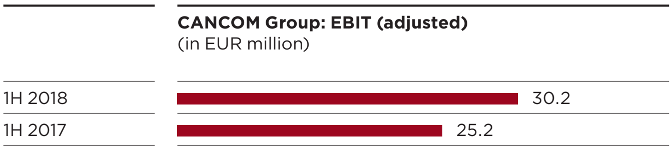


In the first half of 2018, the CANCOM Group achieved an increase in EBITA (adjusted)[6] of 30.1 percent to EUR 36.7 million (previous year: EUR 28.2 million).

For the second quarter, EBITA (adjusted) amounted to EUR 19.2 million (previous year: EUR 15.1 million).

Excluding the adjustment, the CANCOM Group‘s EBITA in the first half of 2018 was EUR 32.3 million (previous year: EUR 28.2 million).

The first-time application of IFRS 16 had no significant impact on EBITA and any subsequent key figures in the income statement.



EBIT (adjusted)[7] amounted to EUR 30.2 million in the first six months of the current financial year, an improvement of 19.8 percent on the comparable prior-year figure (previous year: EUR 25.2 million). The disproportional development compared to EBITDA (adjusted) is primarily due to the amortisation resulting from company takeovers. Depreciation and amortization totalled EUR 18.6 million in the reporting period (previous year: EUR 10.3 million). This includes increased amortizations of EUR 6.5 million (previous year: EUR 3.1 million).

In the second quarter of 2018, the CANCOM Group‘s EBIT (adjusted) amounted to EUR 15.8 million (previous year: EUR 13.6 million).

Excluding this adjustment, the CANCOM Group‘s EBIT in the first half of 2018 was EUR 25.6 million (previous year: EUR 25.2 million).

The CANCOM Group‘s net profit for the first half of 2018 was EUR 16.8 million, an increase of 1.2 percent (previous year: EUR 16.6 million)

Explanations of individual items on the statement of income

Due to the capital increase from corporate funds that took effect in the second quarter of 2018, the total number of CANCOM SE shares increased from 17,521,819 to 35,043,638. Further information on individual items of the income statement can be found in the table Segment information and in the notes to the consolidated financial statements under „Notes to the consolidated income statement".

Explanation of the alternative performance measures (APM) required by the guidelines on APMs issued by the European Securities and Markets Authority (ESMA):

6) EBITA (adjusted) = net income for the period + taxes + profit/loss accounted for using the equity method + income from long-term equity investments + financial result + amortization of intangible assets + special investments in strategic growth projects and M&A costs (excluding acquisition price)

7) EBIT (adjusted) = net income for the period + taxes + profit/loss accounted for using the equity method + income from long-term equity investments + financial result + special investments in strategic growth projects and M&A costs (excluding acquisition price)

Financial and assets position

Assets

On the assets side of the balance sheet, current assets amounted to EUR 367.4 million as of June 30, 2018 (31 December 2017: EUR 438.0 million). The decline compared with the 2017 year-end figure was mainly due to the reduction in cash and cash equivalents, which amounted to EUR 79.5 million (31 December 2017: EUR 157.6 million). While trade receivables remained more or less stable at EUR 220.1 million in the first half of the year (31 December 2017: EUR 223.7 million), other current financial assets of EUR 13.6 million were significantly lower than at the end of 2017 (31 December 2017: EUR 25.3 million). This was due to the release of further time deposits with banks, as in the course of the 2017 financial year, while the value of inventories rose significantly to EUR 42.6 million (31 December 2017: EUR 22.9 million) due to major projects.

Non-current assets rose to EUR 314.8 million as of June 30, 2018 (31 December 2017: EUR 254.1 million). At 66.1 million Euro, property, plant and equipment was higher than at the end of 2017 (31 December 2017: EUR 60.9 million), mainly due to the construction extensions at the logistics and service factory location Jettingen-Scheppach completed at the end of the reporting period. Intangible assets also increased significantly to EUR 65.8 million, partly due to the consolidation of Ocean Intelligent Communications (31 December 2017: EUR 56.5 million). The same applies to goodwill, which amounted to EUR 133.9 million at the half-yearly balance sheet date (31 December 2017: EUR 115.2 million). The asset from the right of use in the amount of 24.2 million euros constitutes a completely new balance sheet item within non-current assets. Deferred taxes were also significantly affected by IFRS 16.

Liabilities and equity

On the liabilities side of the balance sheet at the end of the first half of 2018, current liabilities amounted to EUR 260.0 million (31 December 2017: EUR 294.6 million). This marked decline was primarily the result of the development of trade payables, which fell to EUR 193.2 million (31 December 2017: EUR 221.0 million). This decrease in the first half of the year compared with the end of the previous year could already be seen in previous years and corresponds to the normal course of business. Other current financial liabilities increased significantly to EUR 13.7 million following the first-time application of IFRS 16 (31 December 2017: EUR 8.0 million). In addition, other current liabilities declined noticeably to EUR 23.6 million (31 December 2017: EUR 32.6 million).

At EUR 56.0 million as of June 30, 2018, non-current liabilities showed a substantial change compared with the end of fiscal year 2017 (31 December 2017: EUR 33.3 million). The main reason for this was the effect of IFRS 16, which increased other non-current financial liabilities to EUR 23.6 million (31 December 2017: EUR 5.2 million). As on the assets side, deferred taxes were also affected here.

Equity hardly changed in the course of the first half of 2018 and amounted to EUR 366.2 million (31 December 2017: EUR 364.3 million). Overall, the slightly reduced balance sheet total of EUR 682.2 million (31 December 2017: EUR 692.1 million) resulted in a slightly higher equity ratio of 53.7 percent (31 December 2017: 52.6 percent) as of 30 June 2018.

Explanations of individual items on the balance sheet

Further information on individual balance sheet items can be found in the notes to the consolidated financial statements under „Notes to the consolidated balance sheet.

Cash flow and liquidity

The cash flow from ordinary activities shows a value of EUR -22.6 million as of 30 June 2018 (previous year: EUR -4.2 million). This increased cash outflow in the first half of 2018 was primarily the result of a significant increase in inventories due to major projects, the seasonal reduction in trade payables in the reporting period, i.e. compared to year-end 2017, and higher payments for income taxes.

Cash flow from investing activities also showed a slightly higher cash outflow of EUR -30.1 million compared to the same period of the previous year (previous year: EUR -21.3 million). The release of time deposits at banks, i.e. the disposal of financial assets available for sale, had a positive effect on cash flow from investing activities. However, the cash flow in this area was affected by payments for acquisition activities and the completion of the expansion of the logistics and service factory location Jettingen-Scheppach.

At EUR -25.9 million, cash flow from financing activities was also more negative than in the previous year (previous year: EUR -10.5 million). This was primarily due to the dividend, which was increased from EUR 0.50 to EUR 1.00 per share. There was also an effect from the first-time application of IFRS 16, which brought payments from finance leases to EUR -4.4 million (31 December 2017: EUR 0.2 million).

Overall, between January and June of the current financial year, a noticeably higher cash outflow in the amount of EUR 78.5 million (previous year: EUR -36.0 million). The cash and cash equivalents equivalents of the CANCOM Group at the end of the first half of 2018 was, however, at EUR 79.5 million, clearly above the level at the end of the previous year (previous year: EUR 26.4 million).

3. Stock ownership of the boards

The stockholdings of members of the company's management bodies at 30 June 2018 were as follows:

	CANCOM SE shares (ISIN DE0005419105)	Share of capital stock
Executive Board		
Klaus Weinmann	20,000	0.1 %
Supervisory Board		
Dominik Eberle	20,000	0.1 %

4. Opportunities and risks of future development

Since the beginning of the current fiscal year, CANCOM has not experienced any significant changes in opportunities or risks with regard to future developments. A detailed list of these opportunities and risks can be found in the latest annual report.

5. Forecast

The Management Board of CANCOM SE does not anticipate any significant changes in the economic environment or the industry environment for the CANCOM Group compared with the presentation made in the Forecast Report of the Annual Report 2017, to which reference is made in this context. In addition, due to the business development in the first half of 2018 or the development of the general conditions, the Executive Board does not see any reason for the statements made in the Annual Report 2017 regarding the expected development of the CANCOM Group.

Assumptions of the forecasts

Our forecasts include all events known at the time this report was prepared which could have an impact on the business development of the CANCOM Group. The outlook is based, among other things, on expectations with regard to economic development and the development of the IT market. It also relates exclusively to organic business development. Effects from legal and regulatory issues are excluded from this forecast.

Outlook for the CANCOM Group

As already described in the annual report for the year 2017, the Management Board assumes that the company will continue to grow in fiscal 2018 due to its good position in the IT market as a whole and in the growth markets around cloud computing and associated trends against the background of the successful course of business in 2017 and assuming constant IT demand. With regard to the entire CANCOM Group and the individual IT Solutions and Cloud Solutions business units, however, unforeseeable events could influence the development of the Group and the reporting segments expected from today's perspective.

The Management Board continues to expect a significant year-on-year increase in sales and gross profit for the Group as a whole for the 2018 financial year. The Executive Board also expects a significant increase in Group EBITDA, Group EBITA and Group EBIT in 2018.

A significant increase in revenues, gross profit, EBITDA, EBITA and EBIT is expected for the IT Solutions business segment.

For the Cloud Solutions segment, the Executive Board also expects a significant increase in revenues, gross profit, EBITDA, EBITA and EBIT, whereby this increase should be higher than the increase in the IT Solutions segment.

6. Events after the end of the reporting period

On 9 August 2018, a British subsidiary of the CANCOM Group acquired The Organised Group Ltd, parent company of the IT service provider OCSL, and an associated real estate company. The company owns real estate used by OCSL. As the transaction took place after the end of the current reporting period, it does not yet have any impact on the key figures of this half-year financial report of the CANCOM Group. Further information on the transaction can be found in the company announcements published on August 9, 2018 and will also be included in the interim announcement for the third quarter of 2018 to be published in November.

7. Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the interim management report of the 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 for the remaining months of the financial year.

Munich, Germany, in August 2018

Klaus Weinmann   Rudolf Hotter

Thomas Volk   Thomas Stark

Management Board of CANCOM SE

Note on auditor's review

This document was neither audited in accordance with § 317 HGB nor reviewed by an auditor.

Disclaimer for forward-looking statements

It contains statements that relate to our future business performance and future financial performance as well as to future events or developments affecting CANCOM and that may constitute forward-looking statements. These are based on current expectations, assumptions and estimates of the Executive Board and on other information currently available to management, many of which are beyond CANCOM's control. These statements can be identified by formulations and words such as „expect", „will", „assume", „believe", „strive", „estimate", „assume", „calculate", „intend", „could", „plan", „should", „will", „predict" or similar terms.

All statements, with the exception of proven facts from the past, are forward-looking statements. Such forward-looking statements include, but are not limited to: The Management Board's expectations regarding the availability of products and services, the financial and earnings position, the business strategy and plans of the Management Board for future operating activities, economic developments and all statements regarding assumptions. Although we make these statements with great care, we cannot guarantee the accuracy of expectations, particularly in the forecast report. Various known and unknown risks, uncertainties and other factors could cause the actual results to differ significantly from those contained in the forward-looking statements. The following factors are important in this context: external political influences, changes in the general economic and business situation, changes in the competitive position and situation, e.g. due to the emergence of new competitors, new products and services, new technologies, changes in the investment behaviour of customer target groups, etc. as well as changes in business strategy. If one or more of these risks or uncertainties should arise, please If any uncertainties arise or should it prove to be the case that the underlying expectations or assumptions do not materialize or are incorrect, CANCOM's actual results, performance and achievements (both negative and positive) may differ materially from those expressed or implied in the forward-looking statement. No guarantee can be given for the appropriateness, accuracy, completeness or correctness of the information or opinions in this document.

CANCOM does not assume any obligation and does not intend to update these forward-looking statements or to update them in the event of events other than those expected.

to correct this development. Due to rounding, individual figures in this document may not add up exactly to the stated total and percentages shown may not accurately reflect the absolute values to which they refer.

Consolidated balance sheet (IFRS)

ASSETS

(in € 000)	Notes	Jun. 30, 2018	Dec. 31, 2017	Jun. 30, 2017
Current assets				
Cash and cash equivalents		79,509	157,619	26,365
Assets held for sale		0	360	360
Trade accounts receivable		220,166	223,672	185,482
Other current financial assets	B.1.	13,553	25,294	96,955
Inventories		42,617	22,923	26,413
Contracts in progress		2,099	981	628
Prepaid expenses and other current assets	B.2.	9,466	7,139	5,804
Total current assets		**367,410**	**437,988**	**342,007**
Non-current assets				
Property, plant and equipment (tangible assets)		66,081	60,853	49,950
Intangible assets		65,750	56,471	29,411
Assets from right of use		24,191	0	0
Goodwill		133,908	115,219	72,149
Long-term financial assets		5,248	5,321	5,312
Investments accounted for using the equity method		0	0	599
Loans		1,318	1,315	1,308
Other non-current financial assets	B.3.	6,519	8,312	10,292
Deferred taxes arising from temporary differences	B.4.	10,434	5,023	2,764
Deferred taxes arising from tax loss carryforward	B.4.	102	362	1,351
Other assets		1,288	1,266	1,206
Total non-current assets		**314,839**	**254,142**	**174,342**
Total assets		**682,249**	**692,130**	**516,349**

EQUITY AND LIABILITIES

(in € 000)	Notes	Jun. 30, 2018	Dec. 31, 2017	Jun. 30, 2017
Current liabilties				
Short-term loans and current portion of long-term loans		1,153	3,804	797
Subordinated loans - short-term portion		2,411	1,953	975
Trade accounts payable		193,153	220,956	108,610
Prepayments received		8,284	6,684	5,663
Other current financial liabilities	B.5.	13,718	7,979	6,619
Provisions	B.6.	3,150	3,575	2,854
Deferred income		9,854	5,143	4,090
Income tax liabilities		4,741	11,101	7,993
Other current liabilities	B.7.	23,550	32,619	24,026
Liabilities in connection with assets held for sale		0	770	771
Total current liabilties		**260,014**	**294,584**	**162,398**
Non-current liabilities				
Long-term loans		891	1,315	1,683
Convertible bonds		0	0	42,472
Subordinated loans		2,142	3,092	3,992
Deferred income		2,779	2,678	2,031
Deferred taxes arising from temporary differences	B.8.	21,428	15,911	6,041
Pension provisions		2,103	2,041	1,986
Other non-current financial liabilities	B.9.	23,588	5,230	721
Other non-current liabilities	B.6.	3,137	3,029	2,722
Total non-current liabilities		**56,068**	**33,296**	**61,648**
Equity				
Capital stock		35,044	17,522	16,368
Capital reserves		204,421	221,943	173,934
Net retained profit/net accumulated loss (incl. revenue reserves)		122,338	122,935	99,561
Equity capital difference due to currency translation and exchange rate differences		166	-236	411
Non-controlling interests		4,198	2,086	2,029
Total equity		**366,167**	**364,250**	**292,303**
Total equity and liabilities		**682,249**	**692,130**	**516,349**

CONSOLIDATED STATEMENT OF INCOME

		Q2		6 months	
(in € 000)	**Notes**	**Apr. 1 - Jun. 30, 2018**	**Apr. 1 - Jun. 30, 2017**	**Jan. 1 - Jun. 30, 2018**	**Jan. 1 - Jun. 30, 2017**
Sales revenues		300,626	278,653	608,513	535,919
Other operating income	D.1.	1,084	276	1,851	1,029
Other own work capitalized		1,253	377	1,985	854
Total revenue		**302,963**	**279,306**	**612,349**	**537,802**
Cost of purchased materials and services		-213,134	-204,339	-436,114	-387,460
Gross profit		**89,829**	**74,967**	**176,235**	**150,342**
Human resources expenses	D.2.	-55,375	-45,945	-109,225	-94,412
Amortization and write-downs of intangible assets, and depreciation and write-downs of tangible assets		-9,570	-5,090	-18,520	-10,253
Other operating expenses	D.3.	-12,395	-10,357	-22,686	-20,515
Operating result		**12,489**	**13,575**	**25,804**	**25,162**
Interest and similar income		244	220	466	378
Interest and other expenses		-458	-779	-1,097	-1,536
Other financial result: income		1	-1	-193	54
Other financial result: expenses		0	0	0	-2
Income from investments		0	0	27	0
Depreciations and write-downs on financial investments		-5	0	-5	0
Share of profit/loss from associated companies accounted for using the equity method		0	17	0	98
Currency translation gains/losses		53	-57	39	-1
Earnings before taxes		**12,324**	**12,975**	**25,041**	**24,153**
Income taxes	D.4.	-4,026	-3,868	-8,182	-7,553
Earnings after taxes from continuing operations		**8,298**	**9,107**	**16,859**	**16,600**
Earnings from discontinued operations		-39	-1	-45	-3
Net income/(loss) for the period		**8,259**	**9,106**	**16,814**	**16,597**
thereof attributable to the stockholders of the parent		8,293	9,033	16,924	16,480
thereof attributable to non-controlling interests	D.5.	-34	73	-110	117
Average number of shares outstanding (basic)		35,043,638	32,735,062	35,043,638	32,735,062
Average number of shares outstanding (diluted)		35,043,638	34,846,082	35,043,638	34,846,082
Earnings per share from continuing operations (basic) in €		**0.24**	**0.28**	**0.48**	**0.51**
Earnings per share from continuing operations (diluted) in €		**0.24**	**0.26**	**0.48**	**0.48**
Earnings per share from discontinued operations (basic) in €		**0.00**	**0.00**	**0.00**	**0.00**
Earnings per share from discontinued operations (diluted) in €		**0.00**	**0.00**	**0.00**	**0.00**
Earnings per share attributable to stockholders of the parent from net income/loss for the period (basic) in €		**0.24**	**0.28**	**0.48**	**0.51**
Earnings per share attributable to stockholders of the parent from net income/loss for the period (diluted) in €		**0.24**	**0.26**	**0.48**	**0.48**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Q2		6 months	
(in € 000)	**Apr. 1 - Jun. 30, 2018**	**Apr. 1 - Jun. 30, 2018**	**Jan. 1 - Jun. 30, 2018**	**Jan. 1 - Jun. 30, 2017**
Net income/loss for the period	**8,259**	**9,106**	**16,814**	**16,597**
Other comprehensive income				
Items possibly to be reclassified in profit or loss in subsequent periods				
Currency translation difference	733	-1,380	586	-1,684
Income taxes	-230	430	-184	524
Items not to be reclassified in profit or loss				
Change in actuarial gains/losses from pensions	1	3	1	3
Deferred taxes from change in actuarial gains/losses from pensions	0	-1	0	-1
Other comprehensive income for the period (after taxes)	**504**	**-948**	**403**	**-1,158**
Comprehensive income for the period	**8,763**	**8,158**	**17,217**	**15,439**
thereof attributable to stockholders of the parent	8,797	8,085	17,327	15,322
thereof attributable to non-controlling interests	-34	73	-110	117

CONSOLIDATED STATEMENT OF CASH FLOWS

(in € 000)	Jan. 1 - Jun. 30, 2018	Jan. 1 - Jun. 30, 2017
Cash flow from ordinary activities		
Profit for the period before taxes and non-controlling interests	25,041	24,153
Adjustments		
+ Amortization and write-downs of intangible fixed assets, and depreciation and write-downs of tangible fixed assets	18,520	10,253
+ Depreciations and write-downs on financial investments	5	0
+ Interest result and other financial result	797	1,106
+/- Changes in long-term provisions	-278	-2
+/- Changes in short-term provisions	75	-272
+/- Result from the sale of intangible assets, tangible assets and financial assets	-639	-233
+/- Changes in inventories	-19,657	-3,920
+/- Changes in accounts receivable from purchases and services, as well as other receivables	6,389	-4,972
+/- Changes in accounts payable from purchases and services, as well as other payable	-35,852	-19,548
- Interest paid	-243	-112
+/- Income tax paid and refunded	-16,666	-10,503
+/- Non-cash expenses and income	0	-98
+/- Cash inflow/outflow from discontinued operations	-45	-2
Net cash from operating activities	**-22,553**	**-4,150**
Cash flow from investing activities		
- Acquisition of subsidiaries and equity instruments of other companies	-30,031	-2,299
+ Cash from acquisitions	2,763	0
- Acquisition of long-term financial assets	-6	-4,519
- Payments for additions to intangible assets and tangible assets	-15,762	-17,903
+ Income from disposal of intangible assets, tangible assets and financial assets	910	1,392
+ Outflow of financial assets held-for-sale	12,000	2,000
+ Interest and dividends received	46	43
Net cash used in investing activities	**-30,080**	**-21,286**
Cash flow from financing activities		
+/- Capital increase costs	0	-2
- Repayment of long-term debt (incl. short-term portion)	-1,215	-818
+/- Changes in short-term financial liabilities	-2,643	-1,130
- Interest paid	-136	-568
- Dividends paid	-17,551	-8,213
+/- Receipts and payments for finance lease	-4,348	195
Net cash used in financing activities	**-25,893**	**-10,536**
Net increase/decrease in cash and cash equivalents	**-78,526**	**-35,972**
+/- Changes in value resulting from foreign currency exchange	416	-1,253
+/- Cash and cash equivalents at the beginning of the period	157,619	63,590
Cash and cash equivalents at the end of the period	**79,509**	**26,365**
Structure:		
Cash	*79,509*	*26,365*
Cash from discontinued operations	*0*	*0*
	79,509	**26,365**

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**
Januar 1, 2017	**16,368**	**16,368**	**173,935**	**54,199**	**1,569**	**2**	**-346**	**-153**	**37,563**	**283,137**	**1,942**	**285,079**
Net income/(loss) for the period									39,831	39,831	190	40,021
Other comprehensive income					-1,805	-2	44			-1,763	0	-1,763
Comprehensive income					-1,805	-2	44		39,831	38,068	190	38,258
Capital increase	1,154	1,154	48,045							49,199		49,199
Changes in reserves: Capital increase costs			-37							-37		-37
Transfer of net retained profit/net accumulated loss/revenue reserves				19,060					-19,060	0		0
Distribution in fiscal year									-8,184	-8,184	-30	-8,214
Changes due to acquisition of non-controlling interests				-19						-19	-16	-35
December 31, 2017	**17,522**	**17,522**	**221,943**	**73,240**	**-236**	**0**	**-302**	**-153**	**50,150**	**362,164**	**2,086**	**364,250**
Other comprehensive income									16,924	16,924	-110	16,814
Comprehensive income					402	0	1			403	0	403
Capital increase					402	0	1		16,924	17,327	-110	17,217
Capital increase	17,522	17,522	-17,522							0		0
Changes in reserves: Transfer of net retained profit/net accumulated loss/revenue reserves				20,512					-20,512	0		0
Distribution in fiscal year									-17,522	-17,522	-29	-17,551
Additions non-controlling interests				0						0	2,259	2,259
June 30, 2018	**35,044**	**35,044**	**204,421**	**93,752**	**166**	**0**	**-301**	**-153**	**29,040**	**361,969**	**4,206**	**366,175**

Segment information – IFRS

Segment information	Cloud Solutions		IT Solutions	
	Jan. 1 - Jun. 30, 2018 €'000	Jan. 1 - Jun. 30, 2017 €'000	Jan. 1 - Jun. 30, 2018 €'000	Jan. 1 - Jun. 30, 2017 €'000
Sales revenues				
- External sales	109,688	79,701	498,835	456,170
- Intersegment sales	3,598	876	3,045	2,749
- Total sales revenues	113,286	80,577	501,880	458,919
- Cost of purchased materials and services	-58,412	-41,163	-383,968	-349,693
- Human resources costs	-23,947	-17,609	-80,727	-73,280
- Other income and expenses	-5,574	-4,429	-11,744	-13,250
EBITDA	25,353	17,376	25,441	22,696
- Depreciation and amortization	-9,189	-3,256	-9,158	-6,888
Operating result (EBIT)	16,164	14,120	16,283	15,808
- Interest income	208	159	236	197
- Interest expenses	-59	-15	-1,398	-1,324
- Other financial income	0	0	-193	54
- Other financial expenses	0	0	0	0
- Income from investments	0	0	27	0
- Depreciations and write-downs on financial investments	0	0	-5	0
- Share in profit or loss of associated companies accounted for by using the equity method	0	98	0	0
Result from ordinary activities	16,313	14,362	14,950	14,735
- Foreign currency exchange differences				
Earnings before taxes	16,313	14,362	14,950	14,735
- Income taxes				
- Discontinued operations	-39	-3	-6	0
Consolidated net income for the year				
thereof attributable to stockholders of the parent				
thereof attributable to non-controlling interests				

Total business segments		Other companies		Reconciliation		Consolidated	
Jan. 1 - Jun. 30, 2018 €'000	**Jan. 1 - Jun. 30, 2017 €'000**	**Jan. 1 - Jun. 30, 2018 €'000**	**Jan. 1 - Jun. 30, 2017 €'000**	**Jan. 1 - Jun. 30, 2018 €'000**	**Jan. 1 - Jun. 30, 2017 €'000**	**Jan. 1 - Jun. 30, 2018 €'000**	**Jan. 1 - Jun. 30, 2017 €'000**
608,523	535,871	-10	48				
6,643	3,625	0	0	-6,643	-6,643		
615,166	539,496	-10	48	-6,643	-6,643	608,513	535,919
-442,380	-390,856	0	0	6,266	6,266	-436,114	-387,460
-104,674	-90,889	-4,551	-3,523	0	0	-109,225	-94,412
-17,318	-17,679	-1,909	-1,182	377	377	-18,850	-18,632
50,794	40,072	-6,470	-4,657	0	0	44,324	35,415
-18,347	-10,144	-173	-109	0	0	-18,520	-10,253
32,447	29,928	-6,643	-4,766	0	0	25,804	25,162
444	356	828	914	-806	-806	466	378
-1,457	-1,339	-446	-1,089	806	806	-1,097	-1,536
-193	54	0	0	0	0	-193	54
0	0	0	-2	0	0	0	-2
27	0	0	0	0	0	27	0
-5	0	0	0	0	0	-5	0
0	98	0	0	0	0	0	98
31,263	29,097	-6,261	-4,943	0	0	25,002	24,154
				39	39	39	-1
31,263	29,097	-6,261	-4,943	39	39	25,041	24,153
				-8,182	-8,182	-8,182	-7,553
-45	-3	0	0	0	0	-45	-3
						16,814	**16,597**
						16,924	16,480
						-110	117

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 2018 were drawn up according to the EU-adopted International Financial Reporting Standards (IFRS) or International Accounting Standards (IAS) to be applied to financial statements.

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.

These consolidated interim financial statements are presented in a condensed form. They were drawn up in compliance with IAS 34 Interim Financial Reporting and should be read in conjunction with the IFRS-compliant consolidated financial statements for the fiscal year 2017, which can be downloaded from https://www.cancom.com/wp-content/uploads/sites/7/2018/03/CANCOM_AnnualReport2017.pdf

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.

Acquisitions in the first quarter of 2018

CANCOM SE has acquired 82.07 percent of the shares (9,490 shares) of CANCOM OCEAN LTD, based in the United Kingdom, through its subsidiary CANCOM LTD. CANCOM OCEAN LTD has in turn acquired all the shares of Ocean Intelligent Communications Ltd, also based in the U.K. The acquisition is documented in a contract of sale dated March 12, 2018. The purchase price consists of a fixed price of € 27.9 million (£ 24.6 million) paid in cash, and a variable purchase price component (earn-out) of around € 882 thousand (£ 734 thousand) (preliminary figure). The variable purchase price is equal to 10 percent of the planned annual sales revenues from new contracts with a major client expected by June 30, 2019. Incidental acquisition costs of € 470 thousand were incurred in the period from January 1 to June 30, 2018. These are recognized under other operating expenses in the statement of income.

Ocean Intelligent Communications Ltd and its subsidiary (the Ocean Group) and the CANCOM Group will in future operate in partnership in the IT market. Ocean is a fast-growing provider of cloud and managed services for unified communications and collaboration (UCC) systems, and network infrastructure. The Ocean Group employed a staff of 54 at the date from which it is included in the consolidated financial statements, and it generated sales revenues of around £ 12 million in its fiscal year 2016/2017.

It is included in the consolidated financial statements with effect from March 1, 2018.

Changes in the reporting entity in 2018:

Name and legal seat of entity	Date of first-time consolidation	Percentage share of capital	Percentage share of voting rights
CANCOM OCEAN LTD Guildford, UK	March 1, 2018	82.07	82.07
as well as its subsidiary - Ocean Intelligent Communications Ltd. Thames Ditton, UK	March 1, 2018	82.07	82.07
sas well as its subsidiaries - Ocean Unified Communications Ltd. Thames Ditton, UK	March 1, 2018	82.07	82.07
- Ocean Network Services Ltd. Thames Ditton, UK	March 1, 2018	82.07	82.07

The preliminary figures in the table below show the impact on the consolidated financial statements of the change in the reporting entity as at March 1, 2018, the date from which the Ocean Group was included in the consolidated financial statements:

	Fair value € '000	Carrying amount € '000
Cash and cash equivalents	2,763	2,763
Trade accounts receivable	2,440	2,440
Prepaid expenses and other current assets	1,178	1,178
Current assets	6,381	6,381
Property, plant and equipment (tangible assets)	476	476
Intangible assets	13,435	820
Assets from right of use	1,036	1,036
Deferred taxes from temporary differences	529	529
Deferred taxes from tax loss carryforwards	204	204
Other assets	282	282
Non-current assets	**15,962**	**3,347**
Total assets	**22,343**	**9,728**
Trade accounts payable	1,405	1,405
Other current financial liabilities	292	292
Deferred income	3,013	3,013
Income tax liabilities	224	224
Other current liabilities	824	824
Current liabilities	**5,758**	**5,758**
Deferred income	400	400
Deferred taxes	2,609	464
Other non-current financial liabilities	846	846
Other non-current liabilities	203	203
Non-current liabilities	**4,058**	**1,913**
Total liabilities	**9,816**	**7,671**
Net assets acquired	**12,527**	**2,057**

The acquisition of the company resulted in goodwill of around € 18.5 million (preliminary figure), which is not tax-deductible. The main reason for the acquisition itself, and for recognizing goodwill, was to strengthen CANCOM's international business and its range of managed services solutions. The translation of the figures of the foreign operation into the presentation currency in line with IAS 21 resulted in a decrease in the value of the goodwill of approximately € 0.2 million. The goodwill therefore amounted to € 18.3 million (preliminary figure) as at June 30, 2018.

The sales revenues of the Ocean Group included in the consolidated sales revenues since the date of acquisition amount to € 5,347 thousand, and the loss included in the consolidated result to € 79 thousand.

On May 14, 2018, a capital increase was implemented at CANCOM OCEAN LTD. The newly created shares were all bought by minority stockholders of CANCOM OCEAN LTD. This resulted in a change in CANCOM LTD's share of the capital of CANCOM OCEAN LTD.

Change in the reporting entity in 2018:

Name and legal seat of entity	Date of first-time consolidation	Percentage share of capital	Percentage share of voting rights
CANCOM OCEAN LTD Guildford, UK	May 14, 2018	80.02	80.02
as well as its subsidiary - Ocean Intelligent Communications Ltd. Thames Ditton, UK	May 14, 2018	80.02	80.02
sas well as its subsidiaries - Ocean Unified Communications Ltd. Thames Ditton, UK	May 14, 2018	80.02	80.02
- Ocean Network Services Ltd. Thames Ditton, UK	May 14, 2018	80.02	80.02

Mergers in the first half of 2018

c.a.r.u.s. Information Technology GmbH has been merged into CANCOM GmbH. The merger is documented in an agreement dated March 23, 2018. The merger was recorded in the commercial register of CANCOM GmbH on April 19, 2018.

3. Accounting and valuation policies

The consolidated interim financial statements are compiled using basically the same accounting and valuation methods as those used for the consolidated financial statements for the fiscal year 2017, with the exception of IFRS 16 Leases applied early since 1 January 2018.

IFRS 9 „Financial Instruments“ and IFRS 15 „Revenue from Contracts with Customers“ will be applied for the first time as of January 1, 2018 and have not led to any material adjustments with reference to the explanations in the Annual Report as of December 31, 2017.

4. Effects of the initial application of IFRS 16

IFRS 16 „Leases“ is applied retrospectively from January 1, 2018, in that the cumulative effect of initial application by adjusting the opening balance sheet values of retained earnings as of January 1, 2018 is made without adjusting the previous year‘s figures (modified retrospective method).

This implements the unified lease accounting model for lessees, under which usage rights and liabilities must be recognized for all leases with a term of more than twelve months, provided they are not insignificant.

Instead of the minimum rental payments from operating leases previously reported under other financial obligations, non-current assets increase due to the recognition of usage rights. Current and non-current financial liabilities also increase due to the recognition of the corresponding lease liabilities. With regard to the statement of comprehensive income, depreciation of usage rights and interest expenses for liabilities are shown instead of the previous expenses for operating leases. In the cash flow statement, operating cash flow improves due to lower payments, while the repayment portion of lease payments and interest expenses are shown as part of cash flow from financing activities.

The effect of the initial application of IFRS 16 as of 1 January 2018 is the capitalization of the leasing relationships in the amount of € 27,077 thousand and the liability of other current financial liabilities in the amount of € 7,628 thousand and other non-current financial liabilities in the amount of € 19,449 thousand The weighted average value of the marginal borrowing rate used as a basis is uniformly 1.2 percent.

5. Effects Adjustment of the information in the published interim report 1Q 2018

The following tables summarize the effects of the first-time application of IFRS 16 on the quarterly financial statements as of March 31, 2018:

ASSETS

in EUR‘000	Reported	Adjustments	After adjustments
Assets from right of use	0	26,172	26,172
Deferred taxes arising from temporary differences	5,109	8,218	13,327
Assets, total	**676,109**	**34,390**	**710,499**

EQUITY AND LIABILITIES

in EUR‘000	Reported	Adjustments	After adjustments
Other current financial liabilities	7,446	7,088	14,534
Deferred taxes arising from temporary differences	16,873	8,218	25,091
Other non-current financial liabilities	5,796	19,084	24,880
Equity and liabilities, total	**676,109**	**34,390**	**710,499**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in EUR'000	1/1/2018 - 31/3/2018 Reported	1/1/2018 - 31/3/2018 Adjustments	1/1/2018 - 31/3/2018 After adjustments
Depreciations and amortisations on tangible and intangible asset	-7,010	-1,940	-8,950
Other operating expenses	-12,312	2,021	-10,291
Operating result	**13,234**	**81**	**13,315**
Interests and similar expenses	-558	-81	-639

STATEMENT OF CASH FLOWS (ACC. IAS 7)

in EUR'000	1/1/2018 - 31/3/2018 Reported	1/1/2018 - 31/3/2018 Adjustments	1/1/2018 - 31/3/2018 After adjustments
Cash flow from operating activities			
+ Depreciations and amortisations on tangible and intangible assets	7,010	1,940	8,950
+ Interests and other financial income	503	81	584
Net cash from operating activities	**-31,437**	**2,021**	**-29,416**
Cash flow from financing activities			
+/- In-/Outflow from finance leases	-210	-2,021	-2,231
Net cash used in financing activities	**-591**	**-2,021**	**-2,612**

B. Notes to the consolidated balance sheet

1. Other current financial assets

This item mainly includes claims to the payment of a purchase price relating to lease projects (€ 5,425 thousand), bonuses due from suppliers (€ 5,060 thousand), marketing revenue (€ 2,068 thousand), creditors with a debit balance (€ 615 thousand), claims to the payment of a purchase price from the disposal of companies (€ 200 thousand) and receivables from staff (€ 185 thousand).

2. Prepaid expenses and other current assets

This item mainly consists of other current assets such as tax refunds (€ 3,119 thousand), commission income (€ 342 thousand), insurance refunds (€ 266 thousand) and receivables from social insurance institutions (€ 115 thousand).

The prepaid expenses (€ 5,611 thousand) include deferred insurance premiums and expenses paid in advance.

3. Other non-current financial assets

This item mainly includes receivables from staff (€ 23 thousand), in addition to non-current claims for payment of purchase prices in connection with lease projects (€ 6,092 thousand) and disposals of companies (€ 400 thousand).

4. Deferred tax assets

The deferred tax assets are as follows:

Latente Steuer aus	Temporary differences €'000	Tax losses carryforwards €'000
As at January 1, 2018	5,023	362
Addition from profit-neutral capitalization due to initial application IFRS 16	8,502	0
Addition owing to recognition of assets directly in equity because of first-time consolidation	529	204
Tax expense/income from profit and loss calculation	-3,625	-464
Currency exchange gains/losses *	5	0
As at June 30, 2018	**10,434**	**102**

* directly recognized in equity

As at June 30, 2018, the CANCOM Group had tax loss carryforwards of € 0.2 million and trade tax loss carryforwards of € 0.4 million. On the basis of the planned tax results, it is expected that the capitalized deferred tax benefits from loss carryforwards will be realized.

The deferred taxes from temporary differences are mainly the result of differences in other financial liabilities (€ 7,806 thousand), intangible assets (€ 746 thousand), property, plant and equipment (tangible assets) (€ 673 thousand), pension provisions (€ 599 thousand), other liabilities (€ 263 thousand), other provisions (€ 220 thousand) and intragroup payables (€ 94 thousand).

5. Other current financial liabilities

Other current financial liabilities includes purchase price liabilities leasing (€ 6,671 thousand), debtors with a credit balance (€ 2,909 thousand), liabilities to former affiliated companies (€ 2,776 thousand), outstanding bills of charge (€ 595 thousand), purchase price liabilities for the shares of synaix Gesellschaft für angewandte Informations-Technologien mbH (€ 400 thousand), Supervisory Board remuneration (€ 201 thousand) and rent obligations (€ 166 thousand).

6. Other provisions

The provisions mainly include guarantees and warranties (€ 2,479 thousand), copyright fees (€ 1,077 thousand), interest expenses (€ 904 thousand), termination payments (€ 339 thousand), anniversaries (€ 321 thousand), contingent risks (€ 286 thousand), legal costs (€ 254 thousand), decommissioning and restoration liabilities (€ 138 thousand), financial statement costs (€ 104 thousand), and archiving costs (€ 78 thousand).

The total provisions include long-term provisions of € 2,929 thousand, which are recognized under other non-current liabilities. These are mainly for guarantees and warranties (€ 1,291 thousand), copyright fees (€ 825 thousand), anniversaries (€ 321 thousand), decommissioning and restoration liabilities (€ 138 thousand), contingent risks (€ 132 thousand), termination payments, for which a provision is legally mandatory in Austria (€ 112 thousand) and archiving costs (€ 78 thousand).

7. Other current liabilities

Other current liabilities mainly include staff bonus payments (€ 7,500 thousand), holiday and overtime entitlements (€ 6,407 thousand), tax on salaries and church tax (€ 4,214 thousand), sales tax (€ 3,483 thousand), wages and salaries (€ 788 thousand), employers' liability insurance association (€ 394 thousand), social security contributions (€ 271 thousand), travel expenses (€ 188 thousand), compensation levy for non-employment of the severely handicapped (€ 151 thousand) and interest and bank fees (€ 74 thousand).

8. Deferred tax liabilities

The deferred tax liabilities are as follows:

	€ '000
As at January 1, 2018	15,911
Addition from profit-neutral passivation due to initial application of IFRS 16	8,502
Addition owing to recognition of liabilities directly in equity because of first-time consolidation	2,609
Tax income/expenses from profit and loss calculation	-5,731
Currency exchange gains/losses*	137
As at June 30, 2018	**21,428**

* 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 the asset from right of use (€ 7,596 thousand), intangible assets (€ 10,946 thousand), software development costs (€ 929 thousand), other financial assets (€ 874 thousand), goodwill (€ 388 thousand), property, plant and equipment (tangible assets) (€ 353 thousand), loans to affiliated companies (€ 212 thousand), contracts in progress (€ 65 thousand), other liabilities (€ 22 thousand), prepaid expenses (€ 21 thousand), pension provisions (€ 11 thousand) and other provisions (€ 11 thousand).

Recognition is based on an individual tax rate of between 17 percent (subsidiary in the United Kingdom) and 32.98 percent (subsidiaries based in Munich, Germany).

9. Other non-current financial liabilities

Other non-current financial liabilities comprises purchase price liabilities leasing amounting to € 18,282 thousand, purchase price liabilities for the shares in synaix Gesellschaft für angewandte Informations-Technologien mbH (€ 3,968 thousand), purchase price liabilities for the shares in the Ocean Group (€ 828 thousand) and rent liabilities (€ 509 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, PIRONET Enterprise Solutions GmbH, Pironet AG, Pironet NDH Beteiligungs GmbH, synaix Gesellschaft für angewandte Informations-Technologien mbH, synaix Service GmbH, Ocean Intelligent Communications Ltd, Ocean Unified Communications Ltd, Ocean Network Services Ltd and the divisions of CANCOM GmbH and CANCOM on line 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, CANCOM 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, CANCOM LTD, and CANCOM OCEAN LTD 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, 2018 €'000	Jan. 1 - Jun. 30, 2017 €'000	Jan. 1 - Jun. 30, 2018 €'000	Jan. 1 - Jun. 30, 2017 €'000
Germany	507,587	438,265	536,862	468,776
Outside Germany	100,927	97,654	71,652	67,143
Group	608,514	535,919	608,514	535,919

	Non-current assets	
	Jun. 30, 2018 €'000	Jun. 30, 2017 €'000
Germany	248,576	147,399
Outside Germany	50,366	17,409
Group	298,942	164,808

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, 2018 €'000	Jan. 1 - Jun. 30, 2017 €'000
Income not relating to the period	1,169	640
Government grants	290	312
Compensation for damages	375	8
Other operating income	17	69
Total	**1,851**	**1,029**

Income not relating to the period mainly includes income from the sale of property, plant and equipment (tangible assets) (€ 716 thousand) and income from the lowering of specific allowance for receivables (€ 444 thousand).

2. Human resources expenses

The human resources expenses consist of the following:

	Jan. 1 - Jun. 30, 2018 €'000	Jan. 1 - Jun. 30, 2017 €'000
Wages and salaries	94,355	81,199
Social security contributions	14,661	12,953
Pension expenses	209	260
Total	**109,225**	**94,412**

3. Other operating expenses

The other operating expenses consist of the following items:

	Jan. 1 - Jun. 30, 2018 €'000	Jan. 1 - Jun. 30, 2017 €'000
Premises costs	2,992	5,123
Insurance and other charges	776	579
Motor vehicle costs	1,486	1,671
Advertising costs	945	1,291
Stock exchange and entertainment costs	259	213
Hospitality and traveling expenses	3,992	2,877
Delivery costs	1,767	1,792
Third-patry services	2,144	1,339
Repairs, maintenance, leasing	2,387	1,645
Communications and office costs	1,468	1,222
Professional development and training costs	1,230	754
Legal and consultancy costs	1,382	1,005
Fees and charges; costs of money transactions	409	183
Other operating expenses	1,449	821
Total	**22,686**	**20,515**

4. Income taxes

The rate of income tax for the German companies was 31.4 percent (2017: 31.1 percent). This is made up of corporate tax, trade tax and solidarity surcharge. The slight increase in the rate of income tax is due to a marginal increase in the average rate of trade tax.

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

	Jan. 1 - Jun. 30, 2018 €'000	Jan. 1 - Jun. 30, 2017 €'000
Earnings before tax	**25,041**	**24,153**
Expected tax expense at rate for German companies (31,4 percent; 2017: 31,1 percent)	**7,863**	**7,512**
- Difference from tax paid outside Germany	36	158
- Change in allowance for deferred tax assets on loss carryforwards	58	-517
- Tax-exempt income/ non tax-relevant losses on disposals	1	33
- Actual income tax not relating to the period	8	95
- Permanent differences	0	-16
- Non-deductible operating expenses as well as additions and reductions in relation to trade tax	231	240
- Effects of tax rate changes	-24	-4
- Miscellaneous	9	52
Total Group income tax expenses	**8,182**	**7,553**

The actual tax rate is calculated as follows:

	Jan. 1 - Jun. 30, 2018 €'000	Jan. 1 - Jun. 30, 2017 €'000
Income before tax	25,041	24,153
Income tax	8,182	7,553
Actual tax expense rate	32.67%	31.27%

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

	Jan. 1 - Jun. 30, 2018 €'000	Jan. 1 - Jun. 30, 2017 €'000
Actual income tax expense	9,824	8,458
Deferred taxes:		
Assets	4,089	144
Liabilities	-5,731	-1,050
	-1,642	-906
Deferred taxes recognized directly in equity	0	1
Group income tax	**8,182**	**7,553**

5. Non-controlling interests

Minority interests account for 5.04 percent of the net income for the period of the Pironet AG subgroup (€ 56 thousand), 17.93 percent of the net income of the Ocean Group for the period from March 1 to April 30, 2018 (minus € 105 thousand) and 19.98 percent of the net income of the Ocean Group for the period from May 1 to June 30, 2018 (minus € 61 thousand).

E. Other disclosures

1. Related party disclosures

CANCOM SE has prepared these consolidated financial statements as the parent company with ultimate control. They are not included in the consolidated financial statements of any other group.
For the purposes of IAS 24, Klaus Weinmann can be considered a related party who can exercise a significant influence on the CANCOM Group as an Executive Board member of CANCOM SE. In addition, the members of the Executive Board Rudolf Hotter, Thomas Volk and Thomas Stark are related parties for the purposes of IAS 24, as are the members of the Supervisory Board. Other related persons under IAS 24.9 b are:

- PRIMEPULSE SE and its subsidiaries
- Polecat Intelligence Ltd
- tyntec Group Ltd. and its subsidiaries
- ABCON Holding GmbH and its subsidiaries
- ABCON Vermögensverwaltung GmbH and its subsidiaries
- DV Immobilien Management GmbH
- Elber GmbH
- Athanor Gesellschaft für Beratung und Beteiligungen mbH and its subsidiaries
- Wild Consult LLC
- Electronic Online Services GmbH
- Accelerate Commerce GmbH, Munich (formerly Spacelab Invest GmbH)
- MediaMarktSaturn Retail Group and its subsidiaries
- SBF AG and its subsidiaries
- Digitales Gründerzentrum der Region Ingolstadt 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 2018 were as follows: PRIMEPULSE SE purchased goods/services amounting to € 13 thousand (gross), of which € 3 thousand was still outstanding at the reporting date. AL-KO Kober SE (a subsidiary of PRIMEPULSE SE) and its subsidiaries purchased goods/services amounting to € 529 thousand (gross), of which € 169 thousand was outstanding at the balance sheet date.Stemmer Imaging AG (a subsidiary of PRIMEPULSE SE) and its subsidiaries purchased goods/services totalling € 58 thousand (gross), of which € 8 thousand was outstanding at the reporting date; and Connect Marketing, Consulting & Representation GmbH (also a subsidiary of PRIMEPULSE SE) and its subsidiaries purchased goods/services totalling € 24 thousand (gross), which had been paid for in full by the reporting 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 shareholdings can be found in the Management Report 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.

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